Do You Know—

—What the Interstate Commerce Commission's plan to group the two hundred and three Class I roads of the country into 19 consolidated companies would mean to you as a stockholder in any of these roads?

—What effect the Fordney Tariff, if made law, would have upon the industrial future of the United States?

—How that Tariff would affect the status of textile, steel and chemical companies and the market price of their shares?

—What railroad bonds it would be best for you to buy today, assuming that you want the usual combination of safety and profit probability?

—Whether, as a stockholder in American Car & Foundry, you should hold on, switch into some other security or sell? Or as a stockholder in Burns Brothers Coal?—Or in American Beet Sugar? — Or in American Telephone & Telegraph?

—What is the best and cheapest type of insurance for a young man to obtain? What this form of insurance costs? How much should be carried?

—What part Luck plays in the profitable investment of money?

—What the trend is in the various trades—that is, whether steel prices will be increased further, whether rubber is "cheap" today, how the railroad executives are faring in their efforts to reduce expenses?

These are but a few of the outstanding questions of the day treated with full authority and no prejudice by our own writers in this issue of THE MAGAZINE OF WALL STREET. We put the issue in your hands in the confident belief that it will help you on the road to Financial Independence. Your comments or criticisms are invited. We would be glad to have you show the Magazine to your friends that we may have their comments as well.

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CONTENTS

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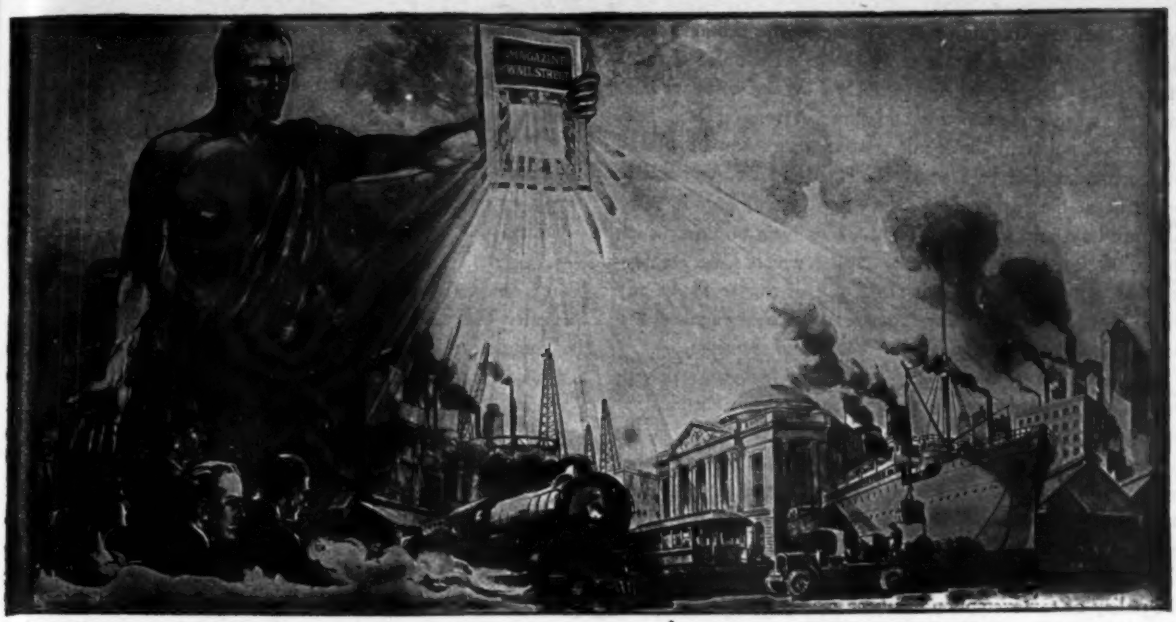


THE OUTLOOK

Realignment Between Commodity Prices—Higher Bond Values—The Decline in Marks—Railroad Consolidation—The Market Prospect

THE industrial situation is rather "spotty" but there are a sufficient number of instances of betterment to indicate that in a general way conditions are improving. The advance in iron and steel consumption has stimulated coke and thereby soft coal production, consequently affecting railroad traffic. Undoubtedly, the greater rate of ferrous metal production is an important factor in the general situation.

Wholesale and retail trade has improved moderately, particularly in the agricultural sections where conditions are satisfactory. The grain movement is large and even the cotton movement has taken on larger proportions. Both these markets, however, have recently shown a reactionary trend and, in general, commodities show a tendency to do no better than hold their recent gains, while a few are showing signs of weakness.

However, it is evident that some progress has already been made in the domestic industrial situation at large, and that, barring an absolute collapse of certain European nations, improvement should continue.

* * *

COMMODITY ADJUSTMENT

THE result of a period of a year and a half of deflation has been to present a very uneven aspect with regard to the price of various groups of commodities. As measured in terms of percentage of pre-war prices, most commodities sold at about an even basis during the height of the inflationary period in early 1920. In other words, the interchange value between commodities, say in April, 1920, was about the same as in July, 1913. The higher price level did not materially affect the purchasing power of these commodities. For example, a bushel of wheat in April, 1920, would buy about as much cotton as in July, 1913; a ton of copper would buy about as much coal and the same generally for other commodities. Thus, the alignment of values between commodities was fairly complete.

The situation has since changed and in some instances, radically. Measured in terms of 1913 figures, it will be found some commodities are selling too high and some too low. Wheat is still high as compared with 1913 prices: cotton is now considerably higher, and anthracite coal is higher; on the other hand, such commodities as copper, rubber and corn are lower. Obviously the effect, is to increase the purchasing power of some commodities and to decrease the purchasing power of others. This throws the various interests into confusion, especially those which deal in commodities which are too low.

The final effect is to interfere with a free trade movement. Thus the copper producers are not in so good a position to buy needed materials, the rubber interests are in a deplorable position and the same is true of other interests, the price of whose products have sunk too low. *Under present conditions, one commercial interest profits while the other loses. This is a situation which requires rectification. A solid foundation of industrial and commercial activity would be arrived at if the various commodities sold at about the same level of purchasing power as either in July, 1913 or April, 1920.*

* * *

THE ADVANCE IN BONDS

ONE of the noteworthy features of the financial situation during the past month has been the pronounced advance in bonds. This is interesting to the speculator and dealer, but it is a good deal more interesting to the student of business prospects. *A review of past history shows that periods of recovery in the stock market have almost always*

been introduced by gains in bond prices. In addition to this is the fact that bonds are a more active reflector of changes in the value of capital than are stocks. When comparison is made between present prices and those of some months ago, it becomes apparent that "gilt edged" issues can be placed at the present time at a very substantially lower figure than was true at the earlier date referred to. This may in some measure be a result of the relative inactivity in business which has set free a certain amount of capital which seeks employment at a living wage. It is also however due to the steady increase in savings resulting from lessened extravagance and a disposition to apply funds to well seasoned securities.

From a business standpoint, it is important because it represents a distinct decline in the significant element in cost of operation. On many accounts, therefore, the change in the value of bonds is to be regarded as a business indication of no small importance. While it is true that tax exempt issues are still in the lead with Liberty bonds making marked gains there has been sufficient activity in other branches of the bond market to show that when once a modification in the policy of tax exemption has been made, the general industrial list will respond even more directly than at present to improving conditions of demand.

* * *

CONSOLIDATING RAILWAYS

THE Interstate Commerce Commission has at last made public the general outline of the plan for railway consolidation which had been framed for it by Professor Ripley of Harvard. The plan provides for nineteen or twenty great railway systems to be formed by the combination of existing roads with a view to the maintenance of reasonable competition, but also with a view to the establishment of genuine systems of transportation which do not merely duplicate one another without purpose.

It has been suggested in some quarters that this is a return to the merger policy of earlier years which was then looked upon with so much disfavor. The difference, however, is clearly suggested in the section of the Transportation Act which provides for these consolidations. *The older mergers were intended chiefly to render possible a monopolistic control of transportation charging fully all that the traffic would bear, while the mergers now provided for would be a means of saving expense and economizing in operation at the same time that service is to be rendered more effective.*

Under the terms of the Transportation Act, moreover, no such mergers can be undertaken without the full assent of the stockholders, while on the other hand the securities to be issued are not to exceed the physical valuation of the roads combined. How far this will protect the security holders in fact remains to be seen. In any case, such mergers if attempted will be a market factor of first importance, especially in view of the fact that the limitations upon security issues will necessarily result in altering the relationships between the holders of the new securities in a very material degree. As yet of course it is too soon to observe any direct effects in the quotations of railway securities resulting from the tentative plan, but it is only a question of time when their influence will be felt.

* * *

THE GERMAN SITUATION

CONTINUED low quotations for the German mark have emphasized the unfavorable financial position in which the Government of Germany finds itself, and have renewed the predictions made in many quarters in this country that Germany will find it necessary to bring about a complete reformation of her banking and currency system at a comparatively early date. *That this change will involve a partial or complete repudiation of the par value of the mark is rather probable.*

Experts who have been looking into the industrial situation of Germany are more and more clearly of the opinion that a revision of the reparations terms will have to be made in the not distant future in order to insure payment without too serious interference with the financial condition of neighboring countries. The fact that the last reparations settlement had as disturbing an effect as it actually did upon sterling and other currencies was unfortunate and has aroused the fear that Germany's effort to provide herself with funds abroad with which to meet the further obligations may exert an even more troublesome effect upon quotations of exchange in general.

However, the shrinkage in the value of marks has tended in some measure to check the speculative purchases of that currency which had been made in such large quantity by Americans and other foreigners in recent months. This slowing down of foreign speculation has been accompanied by an increase in the feverishness of domestic speculation in marks with the result that there is an unsettlement of values and prices in Germany more serious than any heretofore experienced. All this tends to emphasize the necessity of revising the financial relations between Germany and the rest of the world in such a way as to reduce the severity of exchange fluctuations.

* * *

THE MARKET PROSPECT

THE advance in prices during September was the beginning of an expression of confidence in the future, but the hesitating tone during the past few weeks has doubtless been due to a waiting attitude on the part of leading interests.

Industry is moving forward at a moderate pace. There are still numerous uncertainties in the situation—principally European. The world is in doubt as to whether Germany can meet her reparation payment on November 15. Failure to do this would reopen the whole question and lead to untold complications. Under the circumstances, it is not surprising that the market should halt in its forward movement until such time as indications become clear.

Need Investors Fear Railroad Consolidation?

An Outline of the Proposed Plan—Its Advantages—Difficulties That Must Be Overcome

By **ARTHUR J. NEUMARK**

THE Interstate Commerce Commission has reported a plan for the consolidation of the Class I roads of the country into 19 main systems as indicated by the accompanying table. The plan is very much like the original one of Professor Ripley's which the Commission authorized him to draw up.

This plan of merging the railroads originated with railroad officials many years ago, and is now being brought to life again when dangers of Government ownership appear on the horizon. Then again that provision of the Transportation Act of 1920, which calls for the earnings in excess of 6% on the invested capital to be turned over to the Government and placed in a revolving fund for the aid of the weaker roads has not met with any too much favor with either railroad officials or stockholders and it seems quite natural that a plan for the consolidation of railroads, as provided for in the Transportation Act, should be formulated at this time.

As previously stated, railroad officials have already expressed their desire to have the Interstate Commerce Commission draw up a plan of consolidation and the Commission authorized Professor Ripley to work out plans. The plan was submitted and the Commission has already gone one step further and reported its changes from the original plan of Professor Ripley. Does it not seem reasonable to suppose that since these moves are the result of demands from railroad interests and not merely the working of the Commission itself that there will be a much greater incentive and desire to have the plan effected than most people seem to think? There will be obstacles to overcome and the process will naturally be a slow one, but we have here the nucleus of a great movement which should be of vital interest to all railroad security holders.

What the Plan Must Do

It is much too early as yet to make any sweeping predictions as to how successful or unsuccessful this plan will be for the entire project is still very much in the air and the recommendations made as to the probable linking up of roads is not by any means final. It can at once be conceded, however, that a proper linking of roads, having in mind the inclusion in each system of those roads which will bring the greatest strength to the system and allow for the most economical operation, the nondisturbance of existing routes and channels of commerce, the financial status of all roads kept clearly in mind, and the continuance of competition to maintain service on all the roads, will surely be of incalculable benefit to the roads and the country alike.

Stockholders Have Final Say

From the stockholder's point of view the most important consideration is whether or not an investment will be made more or less valuable by the particular consolidation affecting it.

It goes without saying that any plan for consolidation must meet the approval of the stockholders of the various companies concerned. Under the present laws no consolidation of roads can take place without the stockholders' consent. They must therefore be clearly shown the advantages that will accrue to them through such a consolidation.

Off-hand, the stockholder of a strong system, such as the Union Pacific, might feel that he was weakening his investment by taking in a weaker line, and vice versa the stockholder of a weaker road would be delighted at the opportunity to merge with the stronger brother. But no such benefits or harm should occur through this plan. On the contrary the purpose of the plan is to so strengthen the railroads that both classes of stockholders would be benefited. Incidentally, the term "a weak road" is often misunderstood. Various reasons may obtain for the terming of "weak" to a road.

> **The projected consolidation of the 203 Class I roads of the country into 19 large systems is the most striking railroad development of the day.**
>
> **In the accompanying article, a competent authority analyzes the consolidations as proposed, laying particular stress on the effect the plan would have on security holdings.**
>
> **Space prohibiting discussion of more than nine of the new systems in this issue Mr. Neumark's discussion of the remaining ten will appear in our next number.**

What is a Weak Road?

A road may be weak because its capitalization is out of all proportion to the invested capital or the earning power of the road, and its earning power lost as a result of the hopeless maze of inflated capitalization. The plan provides for this contingency. The Transportation Act of 1920 requires that the Commission shall ascertain the values of all the roads that are to be merged into the 19 systems and that the total capitalization of the entire system shall not exceed the value of the various properties in it. It will, therefore, be impossible for the stockholders of a road such as the Kansas City Southern, where the Commission has already indicated the value of the property to be worth about one half of the figure at which it is carried on the books of the company, to obtain any more than the real value of their property allows them. Before this road could be included in any system there would have to be a reorganization on the basis of $1 of securities for $1 of value.

A road may be weak because it starts from nowhere in particular and arrives at no place of importance. Its traffic may be of the short haul variety and therefore unprofitable. But this same road **when linked up with a stronger** system may be a very important link to it. As a part of one system traffic could be routed direct to points which the main road may not have touched before, and done so under more economical conditions. **Then again as a feeder to the main line the weaker line may be of great value and thus increase the value of the entire property. While the holder of the stock of the weaker road would benefit to a greater extent than the holder of the stock of the strong road the latter would nevertheless be benefited by the arrangement.**

A road may be weak because it hasn't the proper outlet for its traffic and is compelled to pay excessive charges for terminal facilities or trackage rights. This would also apply to the free receipt of freight from leading industrial centers. Some roads are strong with terminal facilities and weak in their ability to obtain sufficient traffic along the entire line, while with others the reverse is true.

Free Terminal Facilities Vital

The need for proper handling of terminal facilities under the Consolidation Plan is amply discussed by Professor Ripley in his report to the Interstate Commerce Commission. He says, in part, "A practically universal demand of shippers is that they be able freely to exercise their routing rights by the provision of open terminals, both at the point of shipment and at destination. The right of route across country is impaired if the only possible delivery is at an inconvenient point. To put together railway lines on the map without having a constant regard to the possibility of free delivery or receipt at either end would indeed be futile. As to the particular means for accomplishment of this object—free and untrammeled utilization of terminals—there may well be difference of opinion.

But, whatever the means adopted to

"But, whatever the means adopted to this end, it is submitted that a proper adjustment of the various terminal situations, always of course for due compensation, is an important adjunct to any comprehensive consolidation plan. It is assumed that free access will be somehow provided, either under the present emergency powers as contained in section 1, paragraph 15c of the Transportation Act, or by the adoption

under a consolidation plan of permanent arrangements in all of the important centers. Possibly the assignment of terminal properties might take place by means of leases based upon valuation by the Commission and at a rate fixed by the Commission as reasonable. This would permit the terminal companies to remain under the joint control of the several participating railroads, rather than that entirely independent terminal companies, actually owning these facilities, should be set up.

"The important point, whatever the means adopted to this end, is that there should be unified operation and entirely free access to all participants alike."

It can readily be seen from the foregoing that full thought has been given to this very important question of terminal facilities, and that with proper provisions, such as those outlined above, all the roads of the country will be strengthened.

Speaking generally of the plan for consolidation it would seem to be a most excellent thing. The Commission will give the plan due publicity. The Governor of each state in the Union will be notified of the plan, and the Commission will listen to all objections or suggestions on the part of the public and will notify all concerned as to when hearings on the subject may be had. It is a foregone conclusion that no stone will be left unturned to make the consolidation an equitable and beneficial thing which will do good for the business of the country and the stockholder alike. This consolidation if carried out along the lines indicated above will be of inestimable value to the future prosperity of the country. Economic waste will be greatly reduced; more direct routes and a greater number of outlets for interior shipping will be furnished, thus aiding the commercial development of the country greatly.

So much for the general effect of the plan. The thing that holders of railroad securities are most interested in is how this proposed consolidation will effect them specifically. We will therefore discuss as briefly as possible the differences in the consolidation plans of Professor Ripley and the Interstate

The Nineteen Proposed Consolidations

SYSTEM No. 1—NEW YORK CENTRAL.

New York Central.
Pittsburgh & Lake Erie.
Rutland.
Michigan Central.
Chicago, Kalamazoo & Saginaw.
Cleveland, Cincinnati, Chicago & St. Louis.
Cincinnati Northern.
Western Maryland.
Fonda, Johnstown & Gloversville.
Lake Erie & Pittsburgh.
Central Indiana.
Pittsburgh, Chartiers & Youghiogheny.
Monongahela.
Boston & Maine.
Maine Central.
Bangor & Aroostook.
And all railway properties controlled by the above carriers through lease, stock ownership, or otherwise, except:
Lake Erie & Western and Toledo and Ohio Central. (Both now controlled by New York Central.)
Zanesville & Western and Kanawha & Michigan. (Both now controlled by Toledo & Ohio Central.)

SYSTEM No. 2—PENNSYLVANIA.

Pennsylvania.
West Jersey & Seashore.
Long Island.
Baltimore, Chesapeake & Atlantic.
Cumberland Valley.
Maryland, Delaware & Virginia.
New York, Philadelphia & Norfolk.
Pittsburgh, Cincinnati, Chicago & St. Louis.
Waynesburg & Washington.
Grand Rapids & Indiana.
Cincinnati, Lebanon & Northern.
Ohio River & Western.
Louisville Bridge & Terminal.
Wheeling Terminal.
Toledo, Peoria & Western.
Lorain, Ashland & Southern.
Lake Erie & Pittsburgh.
Central Indiana.
Pittsburgh, Chartiers & Youghiogheny.
Monongahela.
And all other railway properties controlled by any of the above carriers under lease, stock ownership, or otherwise.

SYSTEM No. 3—BALTIMORE & OHIO.

Baltimore & Ohio.
Sandy Valley & Elkhorn.
Staten Island Rapid Transit.
Reading System, comprising the Philadelphia & Reading, Central Railroad of New Jersey and various others.
Cincinnati, Indianapolis & Western.
Chicago, Indianapolis & Louisville.
New York, New Haven & Hartford.
Central New England.
Lehigh & New England.
Lehigh & Hudson.

SYSTEM No. 4—ERIE.

Erie.
Chicago & Erie.
New Jersey & New York.
New York, Susquehanna & Western.
Delaware & Hudson.
Delaware, Lackawanna & Western.
Ulster & Delaware.
Bessemer & Lake Erie.
Buffalo & Susquehanna.
Pittsburgh & Shawmut.
Pittsburgh, Shawmut & Northern.
Lorain, Ashland & Southern.
Wabash Lines east of the Missouri River.

SYSTEM No. 5—NICKEL PLATE-LEHIGH VALLEY

Lehigh Valley.
New York, Chicago & St. Louis.
Toledo, St. Louis & Western.
Detroit & Toledo Shore Line.
Lake Erie & Western.
Wheeling & Lake Erie.
Pittsburgh & West Virginia.
Bessemer & Lake Erie.

SYSTEM No. 6—PERE MARQUETTE

Pere Marquette.
Detroit & Mackinac.
Ann Arbor.
Detroit, Toledo & Ironton.

SYSTEM No. 7—NEW ENGLAND.

New York, New Haven & Hartford.
New York, Ontario & Western.
Central New England.
Boston & Maine.
Maine Central.
Bangor & Aroostook.
Lehigh & Hudson River.
Lehigh & New England.

SYSTEM No. 7A—NEW ENGLAND-GREAT LAKES.

Delaware & Hudson.
Ulster & Delaware.
Delaware, Lackawanna & Western.
Buffalo, Rochester & Pittsburgh.
Pittsburgh & Shawmut.
Pittsburgh, Shawmut & Northern.

SYSTEM No. 8—CHESAPEAKE & OHIO.

Chesapeake & Ohio.
Hocking Valley.
Virginian.

SYSTEM No. 9—NORFOLK & WESTERN.

Norfolk & Western.
Toledo & Ohio Central.
Zanesville & Western.
Kanawha & Michigan.
Kanawha & West Virginia.

SYSTEM No. 10—SOUTHERN.

Southern.
Alabama Great Southern.
Georgia Southern & Florida.
Mobile & Ohio.
Southern Railway in Mississippi.
Northern Alabama.
Cincinnati, New Orleans & Texas Pacific.
New Orleans Great Northern.
Alabama & Vicksburg.

SYSTEM No. 11—ATLANTIC COAST LINE-LOUISVILLE & NASHVILLE.

Atlantic Coast Line.
Atlanta & West Point.
Charleston & Western Carolina.
Louisville & Nashville.
Nashville, Chattanooga & St. Louis.
Louisville, Henderson & St. Louis.
Western Railway of Alabama.
Richmond, Fredericksburg & Potomac.
Norfolk Southern.
Atlanta, Birmingham & Atlantic.
Winston-Salem, southbound.
Roanoke to Winston-Salem Branch.
Florida East Coast.
Carolina, Clinchfield & Ohio.
Georgia & Florida.
Gulf, Mobile & Northern.
Mississippi Central.

SYSTEM No. 12—ILLINOIS CENTRAL-SEABOARD.

Illinois Central.
Yazoo & Mississippi Valley.
Central of Georgia.
Seaboard Air Line.
Lynchburg, Va., to Durham, N. C., branch of Norfolk & Western.
Gulf & Ship Island.
Tennessee Central.
Carolina, Clinchfield & Ohio.

SYSTEM No. 13—UNION PACIFIC-NORTHWESTERN.

Union Pacific.
St. Joseph & Grand Island.
Oregon Short Line.
Oregon-Washington Railroad & Navigation Company.
Los Angeles & Salt Lake.
Chicago & Northwestern.
Chicago, St. Paul, Minneapolis & Omaha.
Lake Superior & Ishpeming.
Wabash Lines west of the Missouri River.

SYSTEM No. 14—BURLINGTON-NORTHERN PACIFIC.

Chicago, Burlington & Quincy.
Northern Pacific.
Chicago Great Western.
Minneapolis & St. Louis.
Spokane, Portland & Seattle.

SYSTEM No. 15—MILWAUKEE-GREAT NORTHERN.

Chicago, Milwaukee & St. Paul.
Great Northern.
Chicago, Terre Haute & Southeastern.
Duluth & Iron Range.
Duluth, Missabe & Northern.
Green Bay & Western.
Spokane, Portland & Seattle.
Butte, Anaconda & Pacific.

SYSTEM No. 16—SANTA FE.

Atchison, Topeka & Santa Fe.
Gulf, Colorado & Santa Fe.
Colorado & Southern.
Fort Worth & Denver City.
Denver & Rio Grande.
Western Pacific.
Utah Railway.
Northwestern Pacific.
Nevada Northern.

SYSTEM No. 17—SOUTHERN PACIFIC-ROCK ISLAND.

Southern Pacific Company.
Nevada Northern.
Chicago, Rock Island & Pacific.
Chicago, Rock Island & Gulf.
Arizona & New Mexico.
El Paso & Southwestern.
San Antonio & Aransas Pass.
Trinity & Brazos Valley.
Midland Valley.
Vicksburg, Shreveport & Pacific.
Chicago, Peoria & St. Louis.

SYSTEM No. 18—FRISCO-KATY COTTON BELT.

St. Louis & San Francisco.
St. Louis Southwestern.
Louisiana Railway & Navigation Company.
Chicago & Alton.
Missouri, Kansas & Texas.
Trinity & Brazos Valley.
San Antonio, Uvalde & Gulf.

SYSTEM No. 19—CHICAGO-MISSOURI PACIFIC.

Missouri Pacific.
Chicago & Eastern Illinois.
Kansas City, Mexico & Orient.
Kansas, Oklahoma & Gulf.
Texas & Pacific.
Fort Smith & Western.
Louisiana & Arkansas.
Gulf Coast Lines.
International & Great Northern.
Kansas City Southern.

Commerce Commission and point out which one of the two appears to be the better from the point of view of the country and the stockholder of the road concerned. It should be understood that neither of these plans is final and in all probability there will be some changes before a final plan goes through. The appended plan is that of the Commission.

System No. 1

The first point of difference between Professor Ripley and the Commission's plan is in the disposition of the Western Maryland Ry. The former includes it it in System No. 5 and the latter includes it in System No. 1. The better plan seems to be that of the Commission. Western Maryland links up with the Pittsburgh & Lake Erie RR., a subsidiary of New York Central, at Connellsville, Pa., and would be a very natural extension to the New York Central system which has two lines running from Cleveland, one to the coal fields of West Virginia and the other to Connellsville. Thus by acquisition of the Western Maryland the New York Central lines would run due East to Baltimore and York, and would have access to the northern regions of West Virginia. New York Central would then parallel the Pennsylvania system over its entire stretch across the state of Pennsylvania. This would bring these two great systems into competition along this entire important route and would insure a much easier outlet for the heavy freight movement of this section of the country.

This consolidation should by all means aid the future commercial growth of this section because of the extensive territory which would be given the benefit of a freer and wider outlet for its commodities by the entrance of a strong system. It must be quite obvious that such an arrangement would be of benefit to both roads. The plan to link Western Maryland with Lehigh Valley and New York, Chicago & St. Louis does not appear to be so beneficial either from the point of view of an aid to commercial development or for the interests of each road for there is no point where the first named road could link up with either the second or third, and the combination of these three would necessitate the usage of trackage over other roads for through traffic and would not furnish the territory covered by Western Maryland as free an outlet for its freight as in the former case.

As for the Lake Erie & Pittsburgh; Central Indiana & Pittsburgh, Chartiers & Youghiogheny Railroads, owned jointly by New York Central and Pennsylvania, these lines could be included in either system without changing the situation at all, providing the other was given equal right of way over these lines.

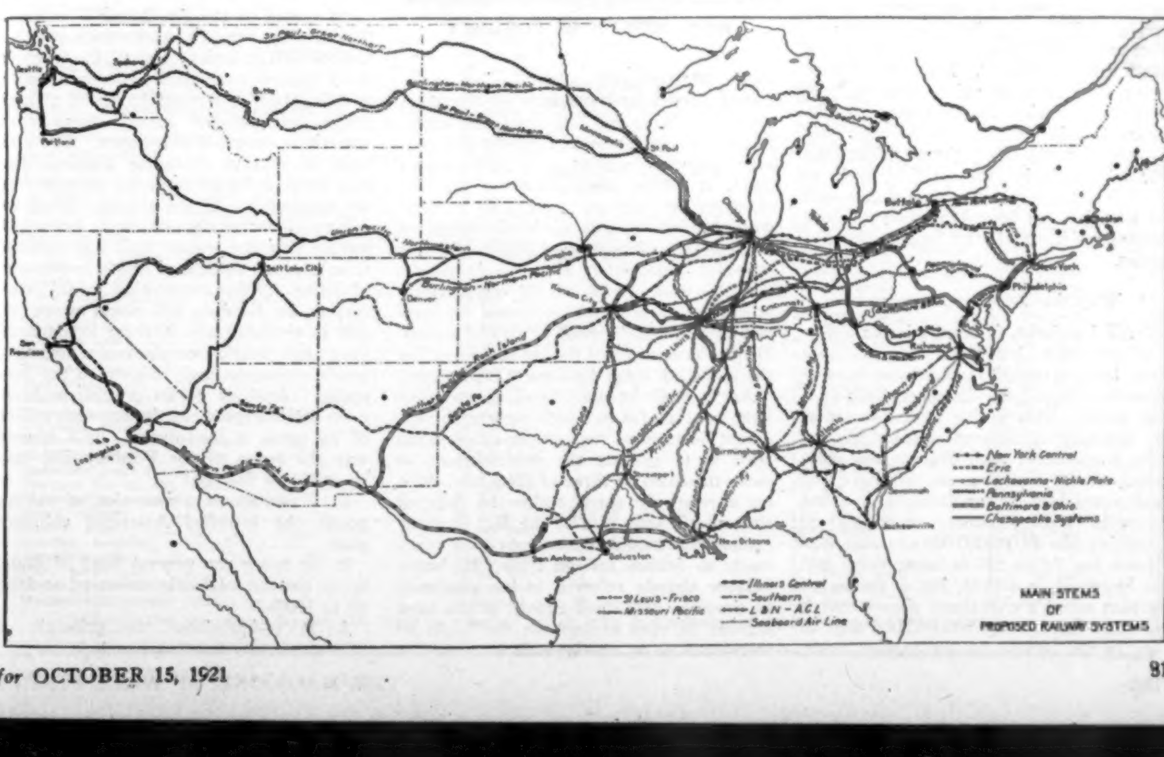
It will be noted that Boston & Maine, Maine Central and Bangor & Aroostook are included in systems 1, 7, and 7a, indicating the Commission's uncertainty as to where these roads would be best included. The question seems to be very much like the tossing of a coin as far as the effects on industry and the natural movement of traffic is concerned. These roads could serve their territory equally well and obtain as free an access to large centers as a part of one system as well as another.

The question of paramount importance, however, is: Would it be better to build around New Haven as the main unit or would it be better to include New Haven as part of another system? Both the plan of the Commission and that of Professor Ripley provide for this latter alternative by including New Haven in System No. 3. This seems to be the best solution of the problem for it has been clearly demonstrated that New Haven cannot survive in its present state and the roads mentioned above would not be sufficient to make the system self-sustaining. New Haven needs a much wider outlet than the inclusion of these roads could possibly bring. System No. 7a would no doubt serve the purpose, but the writer prefers the linking with Baltimore & Ohio for reasons that will be discussed later. Before taking up System No. 3, it might be well to state that System No. 2 includes roads controlled by Pennsylvania almost exclusively. The only question seems to be as to the disposition of the Lorain, Ashland & Southern, a road that might be included in System No. 4 as well as in No. 2. This is of no great consequence, however.

System No. 3

The chief problem concerning the B. & O. system seems to lie in the proper handling of terminal facilities so that if B. & O. is linked with such roads as Philadelphia & Reading and Central of New Jersey there will be no shutting off from the important gateway of New York City the New York Central lines in Pennsylvania. Both New York Central and Baltimore & Ohio have had free access over the Reading line into New York. Both roads have large interests in the stock of the Reading Company, which controls the Philadelphia & Reading Ry. In the past B. & O. has been absolutely dependent upon Philadelphia & Reading for entrance into New York. This is absolutely essential for B. & O., for its heaviest movement of traffic is from the coal fields of West Virginia to the industrial centers of eastern Pennsylvania, New Jersey, New York, and thence to the New England states. Reading receives the largest bulk of its traffic from B. & O. With Reading a part of the B. & O. system we would have a third unit which would be able to compete with

(*Continued on page 883*)



MAIN STEMS OF PROPOSED RAILWAY SYSTEMS

Investment Angles of Fordney Tariff

How It May Affect the Fortunes of Industrial Concerns and Their Securities

***By* H. PARKER WILLIS**

DURING the past Spring the Ways and Means Committee, under the chairmanship of Honorable Joseph W. Fordney, developed an elaborate tariff measure which was designed to take the place of the legislation on that subject now on the statute books of the United States. This bill was passed by the House of Representatives in July and was sent to the Senate, and since then has been in the hands of the Senate Finance Committee which has held several hearings regarding certain provisions of it and has ordered further investigations to be made. It was at first thought that this Fordney Tariff Bill would be given the right of way in Congress and that its adoption early in the Autumn would be assured.

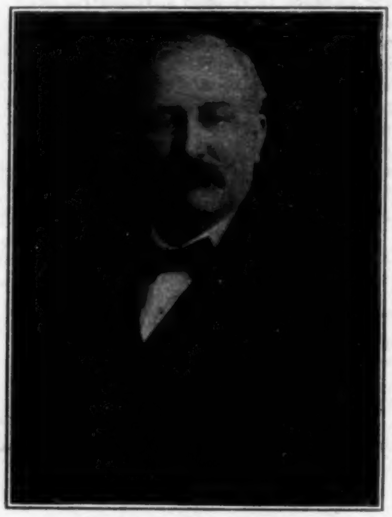
The manifold and unavoidable delays and the numerous technical questions arising out of the tariff have been such as to cause a change in this program, and accordingly it is now understood that the tariff, instead of occupying a first place in the pending program of legislation, has been unofficially but fairly definitely assigned to the last place. While all such programs are subject to change without notice, it would seem to be probable that further action on the Fordney Tariff will not occur until the coming Winter or Spring, and that, in the meantime, an effort will be made to test the provisions of the measure very carefully, both from the standpoint of investigation and from that of public opinion, with a view to possible remodelling.

This makes the tariff question a problem of unusual urgency and importance at the present moment. What may be done during the next three or four months; how public opinion shapes itself; what conclusions are arrived at with respect to our foreign policy—will have an important effect upon the form to be given to the measure when adopted. It is, therefore, a matter of immediate public duty for the citizen to examine the provisions of the proposed tariff with a view to signifying his opinions regarding them. From the financial standpoint, the tariff is likely to be of first class importance—a fact which has probably not been heretofore as fully realized as it should be in the financial market.

Why the Tariff is Important

Tariff legislation is always important in a broad sense, but there has probably never been a period in American history when it occupied the foremost position it does today. This is due to the fact that our international balance of trade has become a matter of such urgency and difficulty. As is well known, we have for some years been accumulating a so-called favorable trade balance amounting to something like $3,000,000,000 annually. The balance has fallen off in some years and has increased in others, but a review of the past month's experience shows that it has been holding up remarkably well in view of the decline in our foreign trade. This means that our import trade has fallen off as much as, or more than, our export trade, so that we have continued to be at all times heavy creditors of other countries.

It is probable that this calendar year will show a considerably smaller balance in our favor than was true last year, but it should be remembered that prices are now probably 25% lower than they were at the end of 1920 so that the amount as stated in dollars which represents our foreign balance today is likely to be a more important fraction of the country's total output than it was in 1920. As is well known, we advanced on governmental account, during and soon after the war



HON. JOSEPH W. FORDNEY

about $9,600,000,000 while we also absorbed very large quantities of European corporate securities of various kinds. Bearing in mind the large unfunded balance growing out of our international trade, it seems likely that we are the creditors of Europe today in a total amount which may be variously estimated at from 15 to 20 billions of dollars. It was supposed, immediately after the Armistice, that this trade would fall off very greatly, unless we made some provision for sustaining it through special financial means. Hence the passage of the act providing for the so-called Edge Banking Corporations.

As is well known, these corporations have not thus far met with success, the apparent obstacle to their organization being such as to prevent the establishment of more than two or three of them, and these on a relatively small scale. In spite of this, and in spite also of the fact that our commercial banks have not been very ready to finance foreign trade, the heavy balance already referred to has continued to develop. To some extent, it has been carried on open account on the books of merchants to a considerable extent it is represented by American purchases of depreciated European currencies made as a matter of sheer speculation, and to a smaller extent it has been financed by American purchases of foreign bonds. What is of more significance, however, is the fact that, whenever these various methods of financing the trade balance have seemed to be inadequate, a great movement of gold toward the United States has begun, and during the current year (from January 1 to October 1) the total receipts of gold have amounted to near $600,000,000.

This is a situation which cannot long be continued—a fact which is already recognized by economists of standing in European countries. Mr. J. M. Keynes, in a recent essay on the subject, refers to our present foreign trade balance as an annual gift to Europe which, he asserts, cannot be collected, and he further takes the view that if we expect to continue business along present lines, it will be essential that we buy more from Europe and sell less to European buyers. A diminution of our export trade and an increase of our import trade he regards as essential if we expect to collect interest on past or future advances—much less principal, and absolutely essential if we intend to go on trading upon the proper footing. **It is clear, therefore, that our tariff policy has today a bearing that is much larger than that of protection or of fiscal relationships, since it will greatly influence the amount of our importations and in so doing will directly and powerfully affect the trade balance to which reference has just been made.**

Effect of the Fordney Bill

Advocates of the Fordney Bill estimate that it may bring in as revenue perhaps $700,000,000 in duties. Before the war our tariff receipts were rarely, if ever, as much as $350,000,000. During the period of high prices and inflated foreign trade they sometimes exceeded that figure. The estimate of revenue from the Fordney Bill just given is based upon the opinion that the measure would not greatly curtail the volume of our receipts of goods, but would merely alter the amount that was obtained from a given volume of goods in the way of duties. If this expectation should prove correct, the Fordney Bill would merely result in checking any increase in importations and would merely make imported goods correspondingly higher to the consumer. Analysis of its provisions, however, indicate quite clearly that such a view of its terms is inadequate. In a general way the terms of the Fordney Bill may be stated as follows:

1. It introduces a new plan of valuing goods—the so-called American valuation plan.

2. It raises the general level of duties by an amount variously estimated at from 50 to 100%.*

3. It re-introduces the principle of duties on raw materials; and

4. It subjects imported manufactures to duties which in a good many cases must be regarded as prohibitive.*

The general effects of the Fordney Bill may, therefore, be unquestionably accepted as checking the importation of goods into the United States and thereby of reducing our foreign purchases in a very material degree. It is not necessary to stop to inquire the principal lines of importation in which such limitation will chiefly occur. The main point to be born in mind is that there will be limitation, and that in the opinion of qualified persons, this limitation will be very serious, practically resulting even in the prohibition of the movement of some classes of goods into this country. The details of the bill, the way in which it will affect given items of merchandise, its influence upon home prices as a result of a possible effect it may have in strengthening the power of various price-fixing organizations, and other matters of the same kind, do not call for discussion here. The most interesting phase of the whole matter is as indicated in the statements already made, the fact that it will greatly cut down importations.

Effect of Valuation Plan

Another important result of the tariff will follow from the working of the new valuation plan. This plan is a means of establishing the worth of imported goods for tariff taxation. Heretofore it has been customary to find out the actual selling value of the goods abroad. The new plan contemplates the ascertainment of the value of like goods in the American market and the imposition of duties upon this standardized valuation regardless of the cost of any particular consignment of goods. It is clear that the effect of this provision, even if it should prove workable and feasible, will be that of making goods imported from countries where exceptionally low costs and prices prevail in certain lines bear a rate which is established upon a standard value rather than upon actual value, so that the American consumer will be cut off from the possibility of getting the advantage that might accrue to him from exceptionally low prices in some particular foreign country or group of countries. This plan is put forward as being intended to check or counteract the influence of low exchange rates. In reality it has nothing to do with exchange rates and will not modify their effects in any material degree. It will, however, greatly alter the conditions of importation, and must be regarded as tantamount to a very large increase in rates of duty as well as to the setting up of serious obstacles to the movement of goods on any terms.

The Result of Curtailment of Importations

The results of the curtailment of importations growing out of the new valuation plan and the higher duties under it will probably be threefold:

1. *Serious discrimination against us abroad—foreign nations indeed, have already begun to do so.*

2. *Reduction of our export trade thereby preventing business from being as active in this country as it would otherwise probably be.*

3. *Exaggeration of prices in this country, hence a tendency to throw us still further out of line with other countries.*

All these changes are of the utmost importance financially. The tariff is in fact a market factor of first-class significance, and it is only through neglect or the belief that it was not likely to reach a place on the statute books that there has been a failure thus far to recognize its importance.

The effect of the tariff as now drawn will inevitably be that of altering the values of domestic securities in lines which compete materially with the foreign product. *It may be expected that shares of chemical and dye concerns, textile producing companies, and steel and iron producers, as well as a variety of others, will be extensively affected by the rates as at present proposed.*

While the bill was still in the House, an effort was made to secure the introduction of a tariff on petroleum and although this was subsequently eliminated it is supposed that an effort will be made to restore it in its original form. At that time marked influence was exerted on the product of oil producing companies and like effects may be looked for in the case of other articles. The effect of the tariff will not, however, be limited to the period of its passing through Congress. Very far-reaching effects on trade are to be anticipated as results of the bill although just what they will be cannot be positively predicted until such time as experience has been had with the developing of trade under the measure. As this experience is gained during the first year or so after the passage of the bill, still some fundamental influence upon the value of the securities of companies which are given a total or partial monopoly as a result of the measure should be expected. According as these monopoly privileges turn out to be more or less complete will the importance of the bill as a permanent influence in the stock market be felt.

*In the attached table is furnished a brief digest, furnished by "Fairchild Bulletin," of some of the more important rates specified in the new Tariff Act as compared with the rates provided in the Acts of 1909 and 1913. The data are taken from official computations.

Rates Specified in New Tariff Act

Compared with Ratio Provided in Acts of 1909 and 1913

Merchandise	Rates of duty New bill	Increase of rates over 1909	Increase of rates over 1913
Cotton, embroidery	27½ per cent.	24 per cent.	24 per cent.
Cotton, lace	42 per cent.	78 per cent.	78 per cent.
Cotton, table damask	28 per cent.	34 per cent.*	4 per cent.
Scissors, 5-inch	20 cents each and 35 per cent.	282 per cent.	409 per cent.
Pocketknives, "Boy Scout"	20 cents each and 30 per cent.	41 per cent.	162 per cent.
Surgical instruments, artery forceps	60 cents per dozen and 35 per cent.	358 per cent.	917 per cent.
Earthenware, 7-inch plate, transfer, etc	28 per cent.	20 per cent.*	19 per cent.
Smokers' articles, pipes	45 per cent.	102 per cent.	148 per cent.
Furniture, willow	40 per cent.	69 per cent.	263 per cent.
Grease-proof paper	2 cents per pound and 15 per cent.	44 per cent.	41 per cent.
Earthenware, Rockingham teapot	28 per cent.	11 per cent.*	17 per cent.
Brushes, artists', red sable	30 per cent.	73 per cent.	98 per cent.
Mirrors, 144 square inches, 5-inch round	Do.	36 per cent.	76 per cent.
16-ounce herringbone Cheviot (men's)	30 cents per pound and 24 per cent.	35 per cent.*	14 per cent.*
Artificial silk	23 per cent.	18 per cent. less.	36 per cent. less*
Wool dress goods	30 cents per pound and 24 per cent.	36 per cent.*	34 per cent.
Baskets, willow	40 per cent.	91 per cent.	167 per cent.
Asbestos cloth	42 per cent.	147 per cent.	366 per cent.
Spun silk yarn	26 per cent.	5½ per cent.	5½ per cent.
Celluloid dolls	40 per cent.	256 per cent.	256 per cent.
Artificial silk braid	45 cents per pound and 37½ per cent.	Do.	35 per cent.
Chamois skins	15 per cent.	7½ per cent.*	24 per cent.
Hats, men's straw	40 per cent.	66 per cent.	45 per cent.
Brushes, fiber, nail	35 per cent.	200 per cent.	236 per cent.
Harmonicas	Do.	220 per cent.	312 per cent.
Rubber ball, toy	40 per cent.	58 per cent.	58 per cent.
Plain glass stemware, 9-ounce goblets	30 per cent.	66⅔ per cent.	150 per cent.
Umbrella frame	35 per cent.	50 per cent.	114 per cent.
Paper wall pockets of paper	26 per cent.	128 per cent.	220 per cent.
Metal material for jewelry	45 per cent.	134 per cent.	180 per cent.
Imitation pearl necklace (beads)	40 per cent.	700 per cent.	700 per cent.
Precious stones, cut, unset	20 per cent.	290 per cent.	95 per cent.
Medicinal preparations, non-alcoholic	25 per cent.	1,115 per cent.	710 per cent.
Men's collars	28 cents dozen and 17 per cent.	14½ per cent.	46½ per cent.
Beaded bags	40 per cent.	46 per cent.	75 per cent.
Needles, machine	$1.15 per 1,000 and 25 per cent.	86 per cent.	200 per cent.
Handkerchiefs	36 per cent.	6 per cent.*	30 per cent.
Fish, tuna	20 per cent.	6 7/10 per cent.	12½ per cent.
Musical instruments (cornet)	35 per cent.	10 per cent.*	17 per cent.
Musical instruments (violin)	$1.50 each and 35 per cent.	255 per cent.	357 per cent.

*Indicates that the rate in the new bill, based on American selling price, is a reduction of the 1909 rate on foreign value.

Retail Prices—A Stumbling Block

Alignment Between Wholesale and Retail Prices Not Yet Completed — When Will the "Buyers' Strike" End?

By **E. D. KING**

THE average householder, as a rule, takes but faint interest in prices in the primary markets or in wholesale prices. This is not surprising. His concern, after all, is the price which *he* has to pay and that is the retail price. The question, therefore, as to whether retail prices are or are not high is not so much an economic problem involving a comparison between these prices and wholesale or primary market levels, as a practical everyday problem touching on the ability of the ultimate consumer to pay the price demanded of him by his store-keeper.

Should it turn out that this price is in excess of the ability of the consumer to pay—regardless of any possible economic justification of the existence of such prices based on costs of operations, cost of goods, rents, etc., etc.—the conclusion must be that the retail price level is too high and, as a sequitur, that they must decline to the ability of consumers to pay.

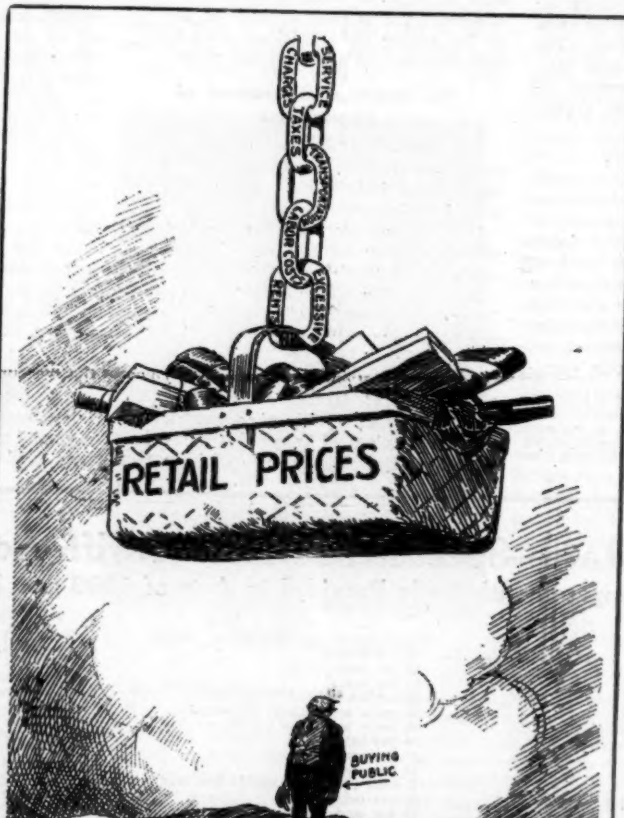
Perhaps a few illustrations may bring out the present situation more clearly. These illustrations are merely drawn at random and are not at all conclusive in themselves but they may suffice to indicate the situation after a rough fashion.

A good pair of shoes today costs anywhere from $10 to $15 against a former price of from $5 to $7 for the same grade; a well-appearing man's suit will cost him probably no less than $40-$50 against a price of about $30 a suit; prices of $5, $6, $7 and more are asked for a presentable man's felt hat, where $5 was the highest price formerly asked for the same hat; fruits are still very high, thus recently pears were unobtainable in the large cities at less than 3 or 4 for a quarter, but they used to cost only 3 cents apiece; a banana will cost a nickel against a cent or two a few years ago; newspapers are two and three cents; cigarettes and other forms of tobacco are from 25 to 50% higher than a few years ago; women's apparel has fallen from the highest prices but in a general way are up from those prevailing in 1914; all sorts of odds and ends from hardware used in the home to tooth-paste and such sundries are higher. Without desiring to be facetious, it is a sober truth that about the only thing which does not cost more than in pre-war days is a marriage license and a postage stamp. Possibly chewing gum might also be included in the latter category. In any case, there can be no dispute about the generally higher level of retail prices as compared with those of a few years ago.

A Confusing Subject

A real estimate of the actual level of retail prices is a most difficult undertaking. Such prices, even for the same articles, vary not only in different parts of the country, due to the difference in transportation charges, rents and other factors entering in the local situation, but they even vary in different stores in the same city. The writer had the occasion to inquire recently for a top-coat of certain make and found the price about $15 higher at the store at which he first inquired over the price asked in another establishment, selling practically the same line of goods. It happened that both makes were not identical but they were so nearly identical as to make a difference in price of 25% a very difficult thing to understand. The consequence was that the lower-priced store received the order.

This is quite a typical instance of conditions today, something which no doubt can be verified from the experience of the reader. On this basis—and hundreds of other illustrations could be given—it is obviously very difficult to say what the actual retail price level actually is.



HE CAN'T SEE WHAT HOLDS 'EM UP.

—Williams in the Philadelphia *Retail Public Ledger.*

The Parallel Between Commodity and Retail Prices

A question which has recurred time and time again during the current year has been whether retail prices have declined in proportion to those obtaining in the wholesale and primary markets. Owing to the fact that, with the exception of retail food prices, there is no standard by which to make a genuine comparison between these three price groups, the final conclusion cannot be accepted at full value. Nevertheless there are a sufficient number of comparisons to be made to justify at least a working conclusion with regard to the general situation.

The Bradstreet commodity price index for the month ending September, 1921, reported a level at $11.18, approximately 50% under the highest of 1920 and about 42% above the 1914 average price level. At the same time, the Bradstreet weekly food index during the last week of September reports an average price of about $3.00 comparing with a highest level of about $5.00 in 1920. This represents a drop of only 40% from the highest levels whereas commodity prices dropped about 50%. Apparently, the drop in food retail prices has not quite kept pace with the drop in bulk commodities.

According to the Federal Reserve retail food price index, the decline has been about 35%. The discrepancy here is a rather large one as compared with the Bradstreet index, but it may be assumed

roughly that retail food prices are about 40% under the highest figures of 1920 and probably 60% above the lowest as based on 1914 figures. In any case, it is obvious that commodity prices have declined more extensively than retail food prices.

When it comes to a comparison between wholesale prices and retail prices on other commodities than food, the matter becomes vastly more complicated on account of the price variations in different parts of the country. However, it would probably be difficult to disprove that for the country as a whole, retail prices are 40-50% above pre-war figures and probably, on the average, about 20% higher in proportion, than commodity prices. From a statistical viewpoint, therefore, it is a logical conclusion that retail prices have not as yet done their share with regard to deflation.

On the other hand that some progress along this line has been made cannot be disputed. On all sides there are instances of how retail prices have been cut. Still this is offset by the fact that there are innumerable instances of where they have not been cut or have been cut to only a moderate extent.

Artificial Methods

While retail prices, in a moderate way, have shown a tendency to follow the downward trend of the primary and wholesale markets, there have been many instances, unfortunately, of large and powerful groups attempting to hold up a higher level of prices so as to enable them to dispose profitably of goods bought at higher levels than those now prevailing. It would probably not be fair to assert that the retail organizations as a whole have attempted to keep prices up, but there have certainly been specific instances of this sort of thing and it may be considered one of the factors in the situation.

Also the strong-arm methods of many small storekeepers have been an exceptionally annoying circumstance. It is not at all an unusual thing to go into one of these stores and find the store-keeper demanding the very highest prices seen in the post-war days, apparently oblivious that a great economic change had since taken place. This petty profiteering is a more important factor than is generally understood since it is after all with the small store-keeper that most householders transact the bulk of their business.

Mitigating Circumstances

If the retail dealer is held up to the scorn and contumely of his fellow citizens, as is customary nowadays, the fault is partly his. There is no doubt that he has, on the whole, been the slowest agency in helping the movement toward adjustment. He has been the last to see the light and many of them have not seen the light yet although it is to be hoped that they will not delay too long.

On the other hand, there are reasons why retail prices have held back. Most retail establishments find their present operating costs considerably in excess of those in pre-war days. They have to pay their clerks from 25 to 50% more in wages, even considering the recent wage cuts; their rents are higher, and their over-head in general is higher. The price they pay the jobber or manufacturer for goods is only one item. The others must be considered in making up a price schedule and therefore, if retail prices have not come down in proportion to those obtaining in the primary or wholesale markets, there are solid reasons for this. This much is certainly on the side of the retailer.

The Effect of High Prices

Regardless of this circumstance, however, the attempt of the retail establishments to hold their prices as near as possible to the highest war-levels has had the disastrous effect of limiting the volume of business which they have been able to do. The "buyers' strike" which set in during the middle of 1920 was a direct result of the excessive prices demanded by retailers and the inability of the average consumer to pay those prices. This is still the attitude of the general public. It has learned to buy discriminately. It is not throwing its money overboard as in the halcyon war-days. It is learning to do without many things which it formerly thought was necessary to its happiness and general well-being, and in general it has put into effect such a stringent policy that it has affected practically every business interest in the country.

Is the public justified in maintaining its attitude? In other words are retail prices too high? As stated previously, retail prices, while higher proportionately than commodity and wholesale prices, are not really so high after all when the increased overhead and operating costs of the retailers are considered. Assuming that commodity prices have fallen perhaps 20% further than retail prices, the difference between the two would at least partly be accounted for by the fact that the retailers have not been able to materially reduce their operating charges and in consequence are compelled to ask for high prices.

But this after all is not so important a consideration as the fact that the public is either unable or unwilling to pay the present levels. The attitude of the public is well illustrated by the effect which department store "sales" have on the consumer. Where prices are materially marked down, the retail establishments have been uniformly successful. This suggests that the public is mainly interested in prices and that what it considers a fair price level will invariably bring it into the market.

The situation thus resembles a deadlock. The retailers are either unable or unwilling to bring their prices much below present level and the public insists on staying out of the market until those prices are brought down. The effect is the same. Buying is limited. The consumer buys little from the retailer and the latter buys sparingly from the wholesaler and jobber who, in turn limit their orders to the manufacturer. Finally, the effect is on the consumer himself where he happens to be the producer or worker, so that the buyers' strike comes home to roost.

The buyer thus stands in his own way but he can't do otherwise. His earning capacity—if he still has a job—does not permit him any longer to pay for the necessities of life—food and rent—and still enable him to buy a share of the world's comforts. The question is then: since a start must be made somewhere, who shall take the initial steps?

Whose Loss?

The above question by this time has come to take on somewhat of a theoretical character as in fact a start toward readjustment has already been made. Farmers know this to their cost and also the manufacturers and wholesalers. The retailers, too, have done something to help conditions along but inasmuch as they were the last to start it is apparent that the brunt of the situation falls on their shoulders. In other words, it is up to the retailer to help the movement along further by lowering the price of his goods. Of course, it will be complained that this is impossible, that losses will have to be incurred, and so forth and so on. This has been heard before but others have taken their losses and there is no reason why the retailer should be immune to the effects of the general economic situation.

Certainly, until retail prices come down further, the buyer will be averse to spending money except for the most imperative needs. In many sections of the country, there is great unemployment and where this condition exists there is no valid excuse to hold prices up. But even in other sections of the country, and in fact, almost universally, the purchasing power of the country has declined at least sufficiently to make the present high retail price level a barrier to a liberal resumption of business.

An interesting fact is that recently commodity and wholesale prices have shown a tendency to advance thus operating toward greater harmony between the wholesale and retail price level. While this is interesting from an economic viewpoint, it is of no practical importance so far as the ultimate consumer is concerned inasmuch as his earning power as yet has not risen in proportion. In fact, latest estimates indicate that the average wage level is somewhat lower.

In order that the consumer may be able to buy his goods retail at the prices demanded it is obvious that either his wages or salary must go up or that retail prices must come down further. Should it develop that wages again advance—provided retail prices do not advance—the consumer will probably be as well off as he was in the war days. But it is hardly probable that wages will advance for a long time. Business conditions are still too unsettled and the tendency if anything is for employers to reduce their payrolls. A broad viewpoint therefore validates the conclusion that whatever change takes place will have to be along the line of lower retail prices so that they may be brought into closer alignment with the purchasing power of the people.

The writer does not pretend, as do some observers, that the retailer is wholly accountable for the situation. Certainly he has a logical line of defense but for the common good and thereby for his own he should take his losses now and bring prices down to a point to meet the ability of the consumer to pay. Certainly when such items as high transportation charges, high rents, wages and other over-head charges are considered, the position of the retailer is not easy. **But the fact remains, nevertheless, regardless of these circumstances, that the public will not buy on a large scale until prices are lowered, and realizing this the retailer had better follow the line set out by others.**

How We Can Retain Financial Supremacy

A Study of England's Successful Methods—How America Might Apply Them

By **JAMES TAYLOR LARIMORE**

THE economic changes resulting from the World War are not confined to commodities and industries alone, but are equally as apparent in commercial and financial circles. It was not until after 1914 that New York had the distinction of being the center of the world's commerce and finance. The fact that New York holds this status simply proves the oft-quoted expression that; "Trade follows investment."

Before the war, English investments embraced practically every country of the world. More than four billions of English money was invested in this country alone, and approximately twenty billions had been distributed geographically outside of England. This enormous foreign investing was largely responsible for her supremacy in world trade. For, as payment of the interest charges practically one billion dollars of merchandise was coming annually into the British Isles. This financial and commercial relation accounts for the national interest taken by England, in the political and international affairs of foreign countries.

During the World War, due to the belligerent position of the Allies, we were called upon to meet many financial demands originating across the water. These demands were large and urgent. Our bankers floated enormous War Loans and extended our credit to the utmost. We were converted over-night from a debtor to a creditor nation, and New York supplanted London as the financial center of the world.

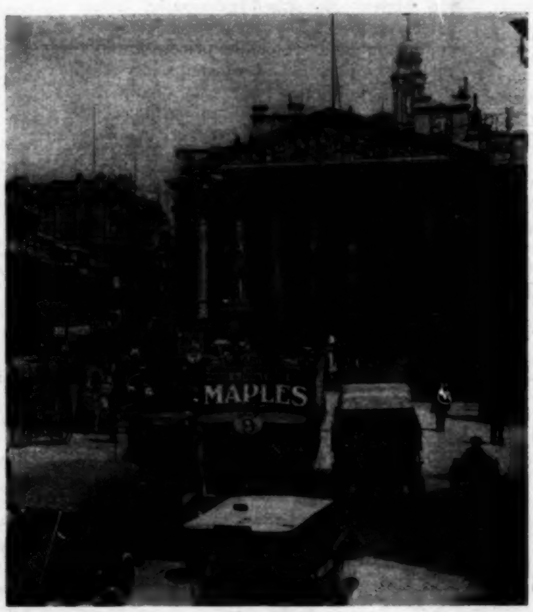
Dollars vs. Sterling

Up to this time the sum of foreign money invested in the United States was very large in ratio to the United States' own securities in foreign countries. Now it is exactly the reverse. During the War it is estimated that this country re-purchased at least one-half of its foreign-owned securities and in addition granted War Loans of over ten billion dollars, to the Allies and neutral nations. The result of this reaction was natural. International exchange became immediately a matter of dollars rather than pounds and London's financial supremacy was a matter of history.

Today America is aroused to the necessity of dealing with a problem more fundamental and more far reaching than any in our previous experience. We are aware that our present position in the world's finance and commerce is not due to any skill or foresight on our part, but a direct result of the World War. All of the conditions which created this position of dignity have been removed and today we are compelled to compete with both skill and foresight in order to prevent England, no longer engrossed in war activities, from re-capturing her former financial prestige. Unless American banking institutions study, improve and adopt the methods employed by the British, England will meet with littel resistance in her attempt to recover her former position of leadership.

England's Surplus Investments

Contrasted with America, England can never be accused of financial provincialism. She has for years been most powerful in international finance and her interests in financial, commercial and governmental enterprises throughout the entire world amount today to nearly twenty billion dollars. This enviable position was not attained as a matter of mere chance, but is largely due to a British institution organized almost sixty years ago and generally known as "the British investment trust."



ROYAL EXCHANGE, LONDON

The British investment trust was established as a remedy for existing economic conditions. England had become early, in the nineteenth century, a developed country. Her industries had been organized, her roads built, her mines opened and operating, and her land cultivated and producing. Domestic premiums for the use of capital were no longer an inducement to the investor. The time had arrived when the savings and the accumulated wealth of the country were forced to secure the benefits from the higher interest rates abroad. The acuteness of the situation made it necessary to introduce some form of foreign investing applicable to small and large investors alike, and the establishment of investment trusts resulted.

Composite Investments

The investing accomplished by these organizations enabled the investors to secure a distribution of risk not only over many different securities of various types of industry, but also over different geographical areas. The individual investor secured the benefit of a judgment far superior to his own in the investing of his money, as the trustees had facilities for investigating and watching each of the many investments made by the trust. The trustees became acquainted with the various investing methods, the financial history, the economic position, and the laws and customs of the different countries, which would be manifestly impossible for the individual investor. With this knowledge they were able to secure safely, for the stockholders, the high interest offered in foreign countries. In short, these investment trusts acted as "composite investors" for the thousands of their stockholders, each of whom, aside from the advantages stated, secured a proportionate interest in each of the many investments made by the trust.

Due to the wide distribution of their holdings and the careful investigation of their trustees, the investment trusts were able to benefit from the various business cycles recurring in the countries in which investments had been made. The fact that business fluctuations away from the normal had a decided trend toward regularity, and that the period of business depression rarely disturbed all countries simultaneously, or all lines of industry within the disturbed country with equal intensity, enabled the trustees through the use of statistics, regarding the economic position of the different countries, to buy and sell at the most opportune time.

The profits made by the trust came from the dividends and interest from its many investments in foreign securities and the appreciation of the securities, minus the cost of operation. As the trustees were able from their unique position and experienced management, to choose the highest type of investments, the profits were exceedingly generous. The expenses of the trust were small—approximately three-quarters of one per cent of the total assets of the trust. As the trusts were bookkeeping organizations, they were not encumbered with plant or equipment, which would prove enormous liabilities during a period of depression. Nor were they employers of labor, at the mercy of strikes and disputes.

High Return on Investments

These trusts have paid, to their stockholders, dividends ranging on an average of between ten and fifteen per cent per

annum on the common shares. At the present time there are approximately one hundred and forty of the trusts whose securities are listed on the London Stock Exchange. Although the World War depressed the market value of their securities, most of them continued to pay dividends out of the reserve fund and at the present time, although their shares are quoted below par, it is difficult to secure them, as their owners refuse to sell.

Reference to the examples attached to the end of this article is suggested here.

Their Importance and Popularity

With practically one billion dollars interest coming into the country in the form of merchandise, as premium for British capital invested in foreign business, it is not strange that London became the financial and commercial center of the world, nor is it unnatural, when one considers the value that these trusts give to both the individual and the nation, that English bankers are most enthusiastic concerning them and refer to them as being comparable to the British banks. Thus, the British investment trust, primarily inaugurated to provide a safe and profitable investment for the small as well as the large investor, has become a valued and honored institution of the British Empire.

At the present time there are approximately 140 of these trusts who have their securities listed on the London Stock Exchange. This does not complete the number, however, as many have found it advisable not to list their securities due to the fact that they are in business for the benefit of a particular group of individuals and for them only. The popularity and growth of the investment trust has not been confined to England alone, but has extended throughout the different countries of Europe. Many trusts have been established in France, Belgium, Scotland and Germany and other countries, and in each case have performed the same distinct service as characterized their existence in England.

If such investment methods have proven beneficial to the British, and other European people, is it not possible that our obsolete and provincial manner of investing might well be discarded in order that we may effectively compete with England in her attempt to re-capture her crown of financial and commercial supremacy?

Foreign Markets for Our Surplus

The necessity for foreign investment is as urgent for us at the present time, as for the English in the middle of the nineteenth century. We have also become a developed nation. In fact we are the greatest surplus producing nation in the world. Our factories are built, our roads have been constructed, our railroads are operating, our unoccupied territory has been exploited, a large proportion of our land has been cleared and put under cultivation, and our mines have been opened and are producing, in excess of our capacity to consume. During this period of development a great amount of capital was necessary, and such capital commanded the high interest rates. Now that there is no longer the former demand for capital, high interest rates no longer prevail. Of course we will for years continue to improve, but the fact still remains that we are essentially a developed country, and will of necessity be compelled to look to foreign markets for purchasers of our surplus, and to foreign countries for profitable places of investing our capital.

We cannot have the one without the other. Regardless of how greatly foreign countries need our goods, the market cannot be created unless we buy interest in foreign enterprises. Conformity to the economic law—"we cannot sell where we do not buy"—is our only salvation.

Aside from our development, it remains for us to make possible the payment of interest by the Allies and neutral nations on our ten billion dollars of War Loans. The interest on these loans amounting to approximately five hundred thousand dollars annually must be paid either in gold or merchandise. It is a physical impossibility for foreign nations who have not the gold to send it, nor would it be wise for America, which has already too much gold, to receive it. It is therefore necessary that this annual interest be paid by merchandise of the debtor nations. The acuteness of the situation may be realized when we remember that at the present time our annual exports are approximately three billions of dollars larger than our imports. It therefore becomes necessary that our trade balance be reversed to a position where our imports exceed our exports by at least five hundred million dollars annually. This condition can never be brought about unless we, as a nation, invest in the business of foreign nations,—thereby enabling them to become reconstructed and reorganized to their full productive capacity. With the excessive premiums offered at the present time, by foreign countries, and with the favorable exchange conditions, the time does indeed seem most opportune.

NEW YORK STOCK EXCHANGE

Something to Learn

Americans have been characterized as being good money makers, fair savers and poor investors. This is undoubtedly true, but necessity is the mother of *accomplishment.* The English became good investors as a result of the national circumstances which compelled them to use successful investing as a livelihood. Evidences of like circumstances are appearing in this country.

American investing houses have never afforded the small and large investors an equal chance in the investment field. They have always appealed to men of large income or accumulated capital, and have assisted such men to avail themselves of information concerning the securities which they were to purchase and assisted them in distributing their commitments over different lines of industry. In rare cases they assisted their clients still further by selecting securities with different maturity and income dates, thereby preventing any large part of their total investment falling due at any one time.

Our small salaried man has had no opportunity in the investment field; his commitment was so small that diversification for him was impossible. He was financially unable to meet the prohibitive cost of securing necessary investment statistics, such as furnished by our leading statistical organizations. As a last resort he has been forced to savings banks, or insurance companies who invested his money for their own benefit. The small rates offered by these institutions were his only inducements to thrift, and, as such, were easily vanished before the alluring advertisements of our daily papers.

Is it not time, in view of our international position, to encourage and protect our small salaried man to purchase domestic obligations, which represent a proportionate interest in a large number of diversified holdings, and which have been selected by most competent men?

No large amount of research or worry need be expended. The method is known. We can simply apply to our investing the underlying principles of the English as embodied in their investment trust, and by so doing we will not only meet the economic need of securing profitable investments and of materially assisting in liquidating the world's indebtedness, but we shall also encourage within ourselves our most needed quality—thrift.

The following are examples of the Financial Trust (Investment Trusts) listed on the London Stock Exchange, taken from the Stock Exchange Official Intelligence 1921, and the Stock Exchange Year Book of 1921, published in London:

BRITISH INVESTMENT TRUST, LIMITED
Edinburgh, Scotland
Registered, February 15, 1889.

Articles: Provide that, not more than 1/20 of the issued Share and Debenture Capital shall be invested in any particular security other than Government Stocks, Public Funds, or Securities of the United Kingdom; no investment shall be made in the Shares of Companies upon which there is unlimited liability; not more than 1/20 of the capital in all at any time be invested in Shares of Companies with limited (and uncancelled) liability and then, only with the unanimous consent of the directors. The summary of investments is included in the report.

Capital—Authorized £2,000,000 (£1,200,000 preferred and £800,000 deferred stock).

Accounts—Carried forward £135,408; Reserve Fund £330,000.

Dividends—On Deferred stock 1910, 12%; 1911, 13%; 1912-19, each year 14%; 1920, 15%.

Quotations—on Deferred Stock from Official List 1920, Highest 221, Lowest 189¼. August 19, 1921, Highest 207, Lowest 202.

(Continued on page 868)

The Problems Confronting Germany

Effect of the Reparations on German Finances and Industry and Her Economic Outlook

By **JOHN C. L. DREIER**

FOR the coming months Germany will have to find ways and means for the payment of reparation debts in accordance with the acceptance of the Allies' ultimatum. This duty requires from the German economical capacities supreme efforts as there are difficulties which, to-day, cannot be seen to their whole extent, whereby the solution of the reparation problem dictated by the Allied Powers seems rather problematic.

The fulfilment of the Allied claims will only be possible by a highly extended German production. The most unfavorable part of the payment-plan is more the tax of 26% on German exports than the fixed annuity of 2,000 millions of gold marks. It is to be presumed that, on account of these conditions, the export imperative to get the drafts with which Germany's debts are to be paid, will be limited to such merchandise as has gone through a high process of refinement. In consequence, for a long time to come, the State will scarcely be able to issue licenses for a re-export of half-refined materials or merchandise, because, according to the ultimatum, the compensation of the tax to the exporters is to be levied from the customs derived from the national capital, thus impairing the formation of new capital.

Specific Provisions

The fulfilment of reparation debts is especially planned by the following customs:

Increases of the coal tax, increase of the corporation tax from 10 to 30%, and by an increase of the capital turnover tax by which the company duty-stamp and the exchange and foreign draft turnover shall be charged more heavily. Besides these and other plans, by which consumption as well as property is charged with new considerable expenses, it is intended to lay hold of the so-called gold values; that is to say, the real values not yet impaired so much by the gold inflation, i.e., industrial enterprises and the municipal and country property. A participation of the State in these values up to 20% is probably intended.

These customs are measures cutting deeply into the economical life of each individual. It is chiefly the coal tax by which, of course, all other industrial products will be considerably influenced. Besides, a strong rise in rents, which have been held down artificially until now, is in sight; further, a rise of the price of bread. *The increased cost of living will probably incur new struggles for higher wages with strikes and closing down of works as a consequence.*

BERLIN BOURSE

Higher International Prices?

Apart from the national question, the international one has to be considered. As mentioned before, the discharge of the debts resulting from the Reparation can only be effected by profits derived from the sale of German industrial raw or manufactured products; for even if these debts are paid by way of foreign credits or by the investment of the German Reparation Bonds on the international loan market, interests and amortization of the capital due can only be realized by excessive profits from export, inasmuch as the reparation is not or might be only partly allowed to be executed by delivery of manufactured goods. The depression of the world market caused by the loss of the consumption of the economically weakened Middle and Eastern Europe does not correspond with rapid progress of sales and loss of markets caused by the rise of native industries which will be protected with all means the Governments have at their disposal, against the competition of German production advantaged by the vast difference between the value of marks on inland and foreign markets.

In this connection, the last speech of the former British Secretary of the Treasury, Mr. MacKenna, is worthy of consideration. He pointed out the danger for British industry incurred by the export of German produced goods, and he expects to find a way out by turning the German industry from the production of refined goods into one of extensive raw materials. British industry would thereby surely get rid of a competitor, but, at the same time, would lose a prominent consumer, as an organization would bring down the wage level yet lower than it already is.

It is of no account whether German revenues are delivered gratis to the Allied Powers in this or that manner; always the national capital from which wages have to be paid is attacked either way. International prices would increase all the more, if the centre of gravity of German economic life is to be found in the exclusive production of raw materials pushed to a maximum. Large German deliveries of raw materials to said extent would not only be refused by the States interested in the same industries, within a short time, but they would be also followed up by lower consumption on the part of the German refining industries. Thereby the contraction and strangulation of the world market might be simultaneously further increased.

The Effect on Exchange

Furthermore, a noticeable point is the manner in which the payment of the reparation debt is desired by the Allies. Since the first sums have been paid over by the German Government in order to meet the claims of the Allies who insisted on having a thousand millions of goldmarks paid without delay, the rate of exchange has been influenced in a most unfavorable manner. Already the assignment of the first 150 millions of goldmarks has incurred a flutter on all Exchanges and has ended not only with a depreciation of German Exchange, but also all other foreign exchanges have been influenced in a like unfavorable manner, while the U. S. dollar rose to a height unagreeably felt throughout the business world. Is it not to be feared that these ups and downs of the exchange markets will also occur in the future, even if the payment is no longer demanded in U. S. dollars? *There is little prospect of the German mark coming anywhere near its pre-war standard as long as the German Reichsbank is forced to withdraw its foreign assets or to pay foreign bills with an increased circulation of paper currency.*

The result of the fiscal year 1920-21 can be considered better than that of the last. Certainly, the expenses have surmounted the revenues to a considerable extent. But the figures of the last year indicate, nevertheless, that the revenue control is in better working order. For example, income taxes and similar regular levies amounted in 1920-21 to 27,700 millions, as in comparison with 2,300 millions in the year be-

fore. The expenses amounted to 102,600 millions, for which deficit the State had to raise another 74,900 millions as a floating debt, so that at the end of March, 1921, the whole floating State debts amounted to 184,000 millions. The budget for 1921-22 shows as expenses a sum of 108,000 millions which are only covered by 58,900 millions of revenues. The standard of currency circulation has increased in a similar manner. On June 30, 1921, this circulation amounted to 73,800 millions compared with 54,000 millions at the same date a year ago.

The difficult financial position is also reflected in the budgets of the single States by an extensive deficit. The budget of Prussia for 1920-21 has ended with uncovered deficit of 2,360 millions, a sum which can only be covered by new taxes. The reason for the rise of expenses is chiefly to be found in the general depreciation of the value of German money which made higher wages an imperative necessity. The expenses for the State officials and teachers in Prussia amounted to 5,800 millions, a sum which is nearly ten times more than in peace time. Bonuses for the unemployed were called for to the extent of 100 millions and for the assistance of the State's Employees in the Occupied Territories 23 millions.

How the "Sanction" Worked Out

Economic life in commerce and trade had been especially animated in a few industries and trades in May, when the Ultimatum was accepted and the political situation seemed to have become clearer. Chiefly, the textile industries profited by this event, but also a few branches of the wholesale and retail trade; and business on exchange. A quick recovery was prevented by the "Sanctions" which the French established on the Rhine. The establishment of the customs line on this river is separating an economical complex coherent in its conditions of life in two, and has been followed up by great hinderances. The short time of its activity has shown that the Occupied Territories and their relation to unoccupied Germany are in utmost danger. Conditions in the coal market have gone from bad to worse by the lack of Upper Silesian coal and by non-renewal of the agreement with the miners to work overtime.

The dullness which the exchange business had to suffer in April led to an animation later on the Stock Exchange, and was strengthened besides by the new political hopes, and the corresponding desultory rise of the work. The native loans obtained quotations, increased by several per cent, in consequence of considerable purchases by foreign capital. The Polish rebellion in Upper Silesia, new taxes on the ready capital, a further new reverse in the value of the mark, all effected an intense sinking of exchange business.

Business in industrial shares and drafts only continued its rising tendency. The inclination to invest ready capital as far as possible in Securities and profitable industrial shares was favored by the publication of the new revenue plans of the Government and furthered by the extensive offering of new shares by industrial concerns. The want of capital is a very large one in industrial circles. Balance sheets of the limited companies are indicating a very great exertion and the shares capital is in no proportion to the foreign capital which the industries are forced to work with. The development of the claims put in against the capital market in 1921 is indicated shown in table I.

The exchange advance has led to considerable rise of the Stock Exchange index number. For example, from 10 shares with fixed interests, which we took for comparison, the index number has only changed slightly. On the other hand, 25 ordinary shares experienced an advance of 99 points. Since the beginning of 1920, the exchange index has developed as shown in table II.

TABLE I

Marks millions	New establ. ltd. comp.'s	Increase of cap. proposals for	Shares with fixed interests	Total
January	159.35	1,092.87	790.50	2,240.22
February	312.80	1,372.59	711.90	2,240.29
March	204.30	530.82	158.50	893.62
April	449.05	1,686.79	422.60	2,558.44
May	163.50	886.18	418.50	1,468.18
	1,289.00	5,568.75	2,502.40	9,860.15

The year 1920 was more successful for the banking business even than the year before, as may be seen from the annual reports of the banks just being published. A turnover was obtained as never before, and at the same time indicating the tremendous depreciation of the mark. The large bank deposits of German bonds are also a proof for this. For example, the turnover of the Reichsbank amounted to 12,770 milliards, compared with 5,876 milliards in 1919 and a net profit of 53 millions as compared with 115 millions in 1920. The expenses increased from 93 millions to 206 millions in 1921.

It is not possible to express a concise view on the whole foreign trade as yet, because precise figures are only to be obtained up to November, 1920. Imports up to this date amounted to 336,989,452 cwt. exports to 361,029,422 cwt. The last figure probably contains the deliveries for the Reparation. In all, these figures only amount to a quarter of the sums which were reached in the last year of peace, 1913.

Wholesale prices moved pretty regularly downward in the last months after they had reached a second high standard in December, 1920. Nevertheless, they had suffered a thirteen-fold increase in the course of June, 1921, as compared with the prices in Mid-summer of 1914. The standard of foodstuffs is 9 times greater than in peace time and the percentage would rise yet more, if it were taken into account that the standard of living, as a whole, is being artificially held down by Governmental measures.

On account of the advanced dullness in business the industries chiefly in the Occupied Territories were forced to fill up their magazines instead of selling. Dismissals of workmen on a large scale could be prevented by these measures, but not reduction of working hours. If the working market shows a better aspect in May, the larger demand on the Agricultural and Building Markets is responsible for this. By Government assistance 840,000 persons had been helped on May 1 compared with 566,000 persons on the same day one year ago.*

TABLE II

	1921					1920				
	3.1	1.3	1.6	7.6	31.12	6.1	5.3	30.4	4.6	11.6
Shares	7792	12311	8523	11488	15362	15727	12236	12848	13389	13815
Loans	975	1411	1034	1052	1271	1289	1351	1162	1176	1206
Total	8767	13722	9557	12540	16633	17016	13587	14010	14565	15021
Compared with the status of January first, 1920, equal to pari:	100	156	109	143	189	194	153	159	166	171

General Remarks

On the whole, it can be said that:

The acceptance of the ultimatum by Germany, by which wide circles hoped to get more quickly out of the swamp in which Europe is in a danger of sinking, has not had the influence necessary to guarantee a forward development and restoration of public affairs. Everywhere acts and ideas are to be perceived contradicting this effect. It is to be feared that hard facts must improve the world which will not allow elementary laws of its economical logics to be offended without these mistakes being dearly paid for. It can do no good to any one to exclude one part from the world's economic organism and every attempt to this direction will be felt painfully in the life-process of the other cells. On the contrary, every effort will have to be made to fill up and to extend the exhausted cells, and to give them back the susceptibility and fertility they used to have in former times. This ought to be the leading idea of all really interested in the renaissance and new unity of Europe, as it has been expressed by Mr. Winston Churchill who referred to the necessity of working hand in hand.

In the near future everything will depend on the results to include Russia and the Near East again in the circle of the European economy, and to reconstruct their ability for consumption and production. Efforts to this end have been undertaken especially during the last two months by German and American economists. It can be supposed that the decay of the Bolshevist dogma as it is to be seen from the new direction of political economy in Soviet Russia will facilitate these efforts by the necessity of which the most influential circles in

(*Continued on page* 873)

*Late reports show this to have been again reduced to something like 300,000 in recent months.

Can Exchange Rates Recover?

What the Future Will Hold for Foreign Currencies—Objections to the Purchasing Power Parity in Foreign Exchange

By **THOMAS B. PRATT**

IN two previous articles in THE MAGAZINE OF WALL STREET the mechanism of the foreign exchange market prior to the war and the effects of the war upon international exchanges were explained. The course of foreign exchange from the delicately balanced machinery that operated under the gold standard to the unsound, disorganized system now prevailing was also traced.

Today one of the most important problems confronting the world is the stabilization of the exchanges upon a sound basis, a basis that will permit the revival of international trade without the elements of speculation that exist at present. Innumerable solutions have been suggested by statesmen, economists, bankers and publicists. Legislation has been enacted by various countries for the purpose of *relating* foreign exchange, international conferences have been held and others suggested, and concrete plans have been brought forward. The demoralization still exists, however, and it is quite likely that it will take many years for the present unsettlement to work itself out.

Quotations for foreign exchange today are determined largely by the "purchasing power parity" principle. This was briefly described in the last article on foreign exchange appearing in this MAGAZINE. This principle is not new, having been advanced by Goshen, the economist and financier, many years ago. Gustav Cassel, the Swedish economist, has recently given it considerable prominence, and it is now spoken of quite generally as the Cassel theory.

Cassel's explanation of it is so clear and the importance of the theory in any consideration of the future of foreign exchange so great, that it is well worth while to set forth the theory in Cassel's own words:

"Our willingness to pay a certain price for a foreign money must ultimately and essentially depend on the fact that this money has a purchasing power as against commodities and services in the foreign country. On the other hand, when we offer so and so much of our own money we offer, in fact, a purchasing power against commodities and services in our own country. Our valuation of a foreign money will, therefore, essentially depend on the relative purchasing power of the currencies of both countries.

"Given a normal freedom of trade between two countries, A and B, a rate of exchange will establish itself between them and this rate will, smaller fluctuations apart, remain unaltered so long as no alterations in the purchasing power of either currency is made and no especial hindrances are imposed upon the trade.

"But as soon as an inflation takes place in the money of A, and the purchasing power of this money is, therefore, diminished, the value of the A-money in B must necessarily be reduced in the same proportion. And if the B-money is inflated and its purchasing power is lowered, the valuation of the A-money in B will clearly increase in the same proportion.

If, e.g., the inflation in A has been in the proportion of 320 to 100 and the inflation in B has been in the proportion of 240 to 100 the new rate of exchange will be three-fourths of the old rate. . . . Hence, the following rule: when two currencies have been inflated, the new normal rate of exchange will be equal to the old rate multiplied by the quotient between the degrees of inflation of both countries.

"There will, of course, always be fluctuations from this new normal rate, and in a period of transition these fluctuations are apt to be rather wide. But the rate calculated in the way indicated must be regarded as the new parity between the currencies. This parity may be called the purchasing power parity, as it is determined by the quotient of the purchasing powers of the different countries."

Notwithstanding that the Cassel theory first depends upon normal freedom of trade and second, that it is subject to wide fluctuations, it has been advocated by many economists as the ideal basis for determining foreign exchange rates. As a matter of fact, the theory has been in operation for some time, but under abnormal conditions. With the United States practically the only large country on a gold basis, international commerce had to find some basis for the payment of debts. Exchanges naturally tended to seek a level in conformity with the theory outlined above.

The theory has considerable more reasonableness behind it than the gold standard can claim. For after all, it is merchandise that is bought and sold in international commerce and not gold.

The fact, therefore, that exchanges naturally tended to seek the purchasing power level when the gold standard was abandoned has led many to believe that with certain modifications the Cassel theory should remain as the standard for the future.

THE PURCHASING POWER PARITY

The following table was prepared by the Financial Times of London. It shows British prices, American prices, parity, the actual rate, and difference between actual and parity rate for 1920 and until June, 1921:

Month	British Prices	U. S. Prices	Parity $	Actual Rate $	Percentage Difference
1920					
December	221.8	170.4	3.745	3.491	107.2
November	247.2	187.7	3.695	3.439	107.2
October	264.3	205.4	3.780	3.476	108.8
September	274.8	218.0	3.861	3.514	109.8
August	279.7	228.1	3.980	3.608	110.2
July	287.4	236.7	4.015	3.867	103.9
June	296.8	249.0	3.970	3.947	100.3
May	307.9	244.7	3.875	3.844	99.3
April	309.7	242.5	3.820	3.924	97.3
March	306.5	238.5	3.795	3.709	97.8
February	309.6	237.6	3.855	3.380	114.2
January	295.4	233.7	3.955	3.681	107.2
1921					
May	169.2	134.2	3.860	3.969	97.3
April	173.8	139.4	3.908	3.928	99.5
March	177.5	145.3	3.993	3.907	102.1
February	190.6	151.7	3.872	3.873	100.0
January	205.8	162.1	3.845	3.737	102.9

Figures in the last column greater than 100 mean the dollar was worth more than the purchasing power parity. The last month is approximate, as the American figures were only partly available.

Objections to the Theory

There are many objections, however, to any solution of the foreign exchange problem that does not hold as its principal tenet the return to the gold standard. Any other solution will result in frequent fluctuations of foreign exchange quotations, fluctuations that will be a serious handicap to the carrying on of international trade. **The main objections to the Cassel theory are, first, that there is no definite method of determining the purchasing power of one currency in goods of another country; second, that the medium of exchange becomes subject to the fluctuations resulting from labor disturbances, crop conditions, manufacturing costs, and all the thousand and one factors that usually control the cost of goods.**

It is true that exchange rates have fairly closely followed the index prices of commodities during the past two years, and it is also true that the principal countries might readily improve and standardize the methods of obtaining index prices, thereby doing away with much of the uncertainty and considerable of the speculation that exists today. But the fact nevertheless remains that fluctuations in rates will be wide and that merchants who are required to anticipate the wants of their customers in other countries months

ahead will be compelled to speculate to an unnecessary degree owing to the uncertainty that will exist as to the amount they may expect to obtain for their goods.

Theoretically the purchasing power parity is little different than the gold parity. When a shipment of goods is made under the gold standard, the shipper sells a bill of exchange on the country to which the goods are being sent, and in payment of this bill he receives currency which is legal tender in this country. Or else he receives payment for his goods in the country to which the goods are shipped and this currency may be exchanged for gold which has a certain value in this country. He receives, in other words, a medium which will purchase other goods or service in this country. In effect he obtains the same thing under the purchasing power parity theory. He obtains currency of the country to which he has sold his goods, which in turn he can sell for sufficient currency of this country which will buy goods and service in this country equal to the price for which he sold his goods.

In practice, however, he knows exactly how much he will receive under the gold standard, and the only speculative element in the transaction is the value the money will have at the time he is paid. So exact is the gold standard medium that, as pointed out in the last article, for the thirty-three year period between 1880 and 1913, the value of the pound sterling fluctuated only nine cents between the high and the low, or between $4.82 and $4.91. Fluctuations at present range between $3.50 and $4.00. Under the purchasing power parity, the merchant speculates not only on the value of money at the time he is paid, which is a most important factor and one that affects all transactions whether domestic or foreign, but he also speculates upon economic conditions not only in his own country but in every country in which he does business. He is subject to restrictive tariff regulations, to strikes, to floods, to every conceivable economic factor in every country of the world. Even this would not be so bad were these factors to be felt in his own country as soon as they are in others in which he is doing business. But it often takes months for an occurrence in one country to make itself felt in another.

Restoring the Gold Standard

As long as the great European countries disregard the gold standard, exchange is going to be unstable. The principal bankers of the leading countries of the world realize this fact and are bending every effort to right it. There are, however, innumerable obstacles in the way of restoring the gold standard for several years to come in many countries, and in some the old gold parity that existed before the war will never be restored. Inflation is the main factor that prevents the restoration of the gold standard and in such countries as Germany and some of the eastern European nations inflation has gone so far that the gold standard cannot be restored without repudiation of the present outstanding currency.

Restoration of the gold standard means, first, a huge reduction of national expenses, and for this reason the coming conference in Washington on the Limitation of Armaments has a far more significant meaning than most people realize. The quotation presented with this article taken from a report of the International Financial Conference of the League of Nations held in Brussels in September, 1920, discloses the importance of this subject. **With the nations of the world continuing to spend huge sums of money for armament purposes, there can be little hope for currency deflation, which is the first and most important step towards resumption of normal conditions.** The money that is required for armaments must come from one of two sources—taxation or borrowings. The tax burdens of all the large nations are too heavy to stand the strain of continuing the armament programs of such nations much longer. The money cannot be obtained through external borrowings, so it must come from internal borrowing, which under present conditions is inflation.

THE COST OF ARMAMENTS

From a report of the International Financial Conference of the League of Nations held in Brussels, September, 1920:

"The statements presented to the Conference show that, on an average, some 20 per cent of the national expenditure is still being devoted to the maintenance of armaments and to preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure. Only by a frank policy of mutual co-operation can the nations hope to regain their old prosperity, and, to secure that result, the whole resources of each country must be devoted to strictly productive purposes. The Conference accordingly recommends most earnestly to the Council of the League of Nations the desirability of conferring at once with the several Governments, concerned, with a view to securing a general and agreed reduction of the crushing burden which, on their existing scale, armaments still impose on the impoverished peoples of the world, sapping their resources and imperilling their recovery from the ravages of war."

With the reduction in expenses through limitation of armaments must come the most stringent economy in other lines of government expenditure. Every effort of each government must be directed towards production. By gradually retiring outstanding currency and increasing production currency deflation will be brought about automatically and without too great a burden upon commerce.

What Foreign Countries Must Do

When the principal countries of the world have reduced their armament expenditures, have shown progress in their efforts to retire their outstanding currency, and when the people of such countries commence to increase their productiveness, these countries will then be entitled to further credit consideration.

At the present time foreign nations owe the United States Government and the people of the United States between fifteen and twenty billion dollars. Further credits have been stopped except in special cases, first for the reason that the banks in this country cannot grant further open credits and conform to the rules of sound banking, and second, because the resources of the borrowers that might be used as security have been exhausted. With the debts already owed us put upon a sound funded basis with provisions for their gradual retirement, and with the foreign nations balancing their budgets, deflating their currencies and producing an excess for export, it will then be incumbent upon American investors to grant further credits in one form or another. And it will be good business to grant such credits.

Salvation of Eastern Europe

The effect of these loans, taken in conjunction with increased production in foreign countries and deflation of currencies in those countries, would be a gradual recovery towards normal of those exchanges that are now below their gold parity. This applies, however, only to those countries whose currencies are not depreciated through inflation to a degree where recovery is impossible. **Among such countries are Germany and the eastern European nations. In their case the only salvation is through repudiation of their present currencies and the establishment of new currency systems based upon a gold standard. This is drastic action that few nations care to take, but in the case of those countries mentioned there is no other method that will suffice.**

It is quite possible that some international agreement may be reached at a time when the principal nations have announced their plans along sound, constructive lines whereby gold loans may be made by bankers in this country to borrowers in other countries. The gold proceeds of such loans would be used to stabilize the currencies of the borrowing countries. A loan of this character for $500,000,000 has already been rumored for Great Britain, but it is not likely that it will be consummated for some time. It is a solution, however, that is quite practicable. We have more gold in the United States than we require for our own uses, and it would do this country much more good if it were in the vaults of the great central banks of England or France than it is now doing in this country.

It will be seen from the foregoing that there are many obstacles in the way of bringing back the currencies of foreign nations to their pre-war parity other than purely economic. There are important political problems that must be settled to the satisfaction of this

(*Continued on page* 868)

The Bond Market

Some More Fireworks

Advances of 2 to 5 Points Common in Listed Bonds—Investment Favorites of Today

ANY investor who confined his security purchases to the bond market during the past three months now has the satisfaction of knowing that in no other branch of the security market have greater price advances been scored. He could not have placed his funds to better advantage.

After four years of war, in which bonds were neglected in favor of common and preferred stocks, and close to two years of industrial readjustment, devoted mainly to bringing these common and preferred stocks back to earth, the great body of investors now seems to have lined up definitely on the side of higher bond prices and to be doing most of its buying in these issues. The result has been upward moves outclassing anything of the kind since the day of the war brides.

The experience of the last three months brings out a fact which many investors might have scoffed at last year, but which they would not doubt today, i. e., that sagacious, careful dealings in bonds, done at the right time, can be productive of as great profits as can similar dealings in the supposedly more volatile common and preferred stocks. It is now more generally understood that the bond market, instead of an aggravatingly slow affair, earmarked as particularly suited to the requirements of widows and orphans, can, under proper conditions, develop into the "biggest thing" in the securities market.

From the point of view of The Magazine of Wall Street the recent strength of bond prices suggests three chief lines of thought. First, that investors now fully realize the attractions which a low bond market can possess in a period of declining money rates and "normalizing" industrial markets. Secondly, that the investment power of the country and public interest in the securities market are still factors to be reckoned with, and not things of the past, as some have claimed. Thirdly, that with bond prices on the upgrade and individual yields, perforce, declining, the time must be fast approaching when our large corporations will no longer have to finance, or re-finance, themselves at exorbitant interest rates.

There are, of course, innumerable other aspects of the upswing in bond prices which might be pointed out here. Thus, recent new offerings must have been well received and thoroughly digested—and room made for more. Also, and an extremely pointed aspect, this, confidence must have been renewed in the normal earning power of our large corporations. These are all aspects, however, with which individual investors are thoroughly familiar, and need not be emphasized again here.

Government Bonds Firm

During the two weeks under review, Government bonds have ruled active and firm. Among the features to be pointed out should be mentioned the Kingdom of Italy 6½s, which moved up 2 points from their previous price of 88½.

The French Government issue continued one of the most active bonds on the entire Exchange list. It is believed that the time has come for taking profits on this issue, for which reason it has been struck from the Bond Buyer's Guide.

Feature of the Gilt Edge Group

The Gilt Edge group shown in our Bond Buyer's Guide was productive of an assortment of advances and declines which about balanced one another, with one important exception. That exception was the 5% bonds of the New York Gas, Electric Light, Heat & Power Co., maturing in 1948, which scored the surprising advance of 4 points, actually from 86 to 90.

The upswing in this public utility bond we ascribe to a greater appreciation of the scope of the company and the character of its credit. New York Gas, etc., is controlled by the Edison Co., which is in turn controlled by the Consolidated Gas Co., the latter being probably the strongest utility of its kind in the country today. The New York company serves all Manhattan borough, admittedly a fairly thriving little community, with light, heat and power. In other words, the company has backing of first-grade calibre, and serves the greatest city in the world.

The price of this bond was obviously out of line with that of other utilities and the evening up was natural and to be expected.

Middle Grade Group

The middle grade group was almost consistently strong, and featured by some particularly good upward moves. Among them may be pointed out the following (the prices shown being compared with those recorded in our last issue):

Company	Sept. 28	Oct. 5	Advance
Wilson & Co. 6s...	87¾	88¾	1
Int. Merc. Mar. 6s..	79¼	82¼	3
Lackawanna St'l 5s	75½	77½	2
Bush Terminal 5s..	75	77½	2½
Detroit Edison 5s..	82⅝	84⅝	2

The greatest advance in the above summary, it will be noted, occurred in the International Mercantile Marine 6s of 1941, which traveled up 3 points to above 82.

Although the same thing could be done in the case of numerous other recent features of the security market, it is worth while to point out that this advance in the Marine bonds was forecast five months ago, in the April 16 issue of this magazine, when J. R. Crandall, said in part:

"For those investors looking for a well secured, long-term first mortgage bond of high yield and ready marketability, the International Mercantile Marine 1st mortgage and collateral trust 6% bonds of 1941 are suggested as worthy of consideration.

"The writer fully realizes that existing foreign trade conditions are far from satisfactory and that there is considerable apprehension at the present time concerning the future of the shipping companies. But, in his opinion, the International Mercantile Marine Co. has so firmly intrenched itself in the past six years of great prosperity, that the safety of both principal and interest of these bonds is assured, almost regardless of how bad conditions may get."

It may not be inappropriate here to call attention to the Wilson & Co. 1st 6s, of 1941; and the Computing, Tabulating & Recording 6s, of 1941. The first yields over 7%, and the second yields 8%. They seem somewhat out of line with the rest of the group.

That Speculative Group

Study of the speculative group included in the Guide reveals a number of price changes, as follows:

Bond	Sept. 28	Oct. 5	Change
Iowa Central 5s..	68¾	74	+5¼
Chile Copper 6s..	73¼	76¾	+3½
Cuba Cane Sug. 7s	58	53½	—4½
Va. Ry. & Pow. 5s	65	69	+4

The 5¼-point move in the Iowa Central 5s, as shown, was the most prominent feature of the group. Here was another case of a good mortgage bond, ferreted out by the bargain hunters, and heavily bought because it was obviously selling out of line with other securities of no greater merit.

The 4½-point drop in the Cuba Cane 7s added one more circus act to the recent circum-convolutions of this issue. The bond may or may not be in the hands of a speculative clique, but it has certainly made a name for itself. As an issue, it would not be the part of wisdom for dependent persons to deal in. Taken from the other angle, it has become a pretty medium for the purposes of ultra-speculative funds.

The "news" with regard to Cuba Cane Sugar, for the uses of those interested, may be summarized here: The company's efforts to obtain a $10,000,000 credit necessitated subordinating the 7% bonds (quoted in the Guide) to a new credit. Assent of the debenture holders was necessary to this proceeding. An inducement, in the shape of increasing the interest rate on the assenting bonds from 7% to 8% was offered. Thus far, this assent has been slow in coming in. Time limit was set at October 15. Circular recommending this new proceeding stated: "The corporation needs $10,000,000 to enable it to continue to operate and the directors feel that the arrangement outlined . . . presents the only available method of raising this money and avoiding a receivership."

Thus, up to the time of this issue going to press, the future of the Cuba Cane 7s has been a matter of doubt, and their market fortunes equally uncertain.

The advance in the Chile Copper 6s may be coupled with the advance in the American Smelting & Refining 5s (middle grade group). Conditions in the metal world have taken a definite turn for the better in recent weeks, and this fact has, of course, been reflected in the securities market.

Future of the Guide

Readers of the Magazine will remember that, in a recent issue, it was suggested that another column of figures, "Times Interest Earned," might soon be added to the Bond Buyer's Guide. It may be stated here that the idea of adding this valuable feature has not been discarded. The amount of figuring involved has merely caused delay.

This is also a good place to note our answers to a few of the dozens of letters with regard to the Guide which have been received since its first publication.

First, we are very grateful for the many complimentary remarks.

Second, we ask readers to check up the figures in this Guide before ordering commitments, owing to the possibility of occasional type errors which it is humanly impossible to avoid.

Third, we repeat that small, or new, investors should not make commitments in what we classify as the "Speculative Group," which is as volatile as any group of common stocks.

Fourth, we are unable, just at this time, to add the innumerable features some of our readers have suggested, such as notes showing what bonds are callable and what non-callable, which ones pay 2% at the source, and so on. We want to keep up the high standard set by the Guide, as it is now, before introducing more complications. However, all suggestions from readers have been noted and appreciated and will not, by any means, be forgotten.

Finally, we feel that our readers would do well to bring this feature of the Magazine to the attention of their friends. So far as we know, there is no other tabulation available to the public as unprejudiced, complete and useful as this Bond Buyer's Guide.

BOND BUYERS' GUIDE

	Foreign Governments. BETTER GRADE.	Apx. Price	Apx. Yield
1.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	90	6.50
2.	Kingdom of Sweden 6s, 1939	89¼	7.05
3.	City of Copenhagen (b) 5½s, 1944	80½	7.25
4.	Dominion of Canada (c) 5s, 1931	92⅝	6.00
5.	Argentine (c) 5s, 1945	72	7.55
6.	City of Zurich (b) 8s, 1945	102	7.80
7.	City of Christiania (b) 8s, 1945	102	7.80
8.	Danish Municipal (b) S. K. 8s, 1946	102⅝	7.75
	MORE SPECULATIVE.		
1.	French Government (c) 8s, 1945	(See text)	
2.	Kingdom of Belgium (a) 6s, 1925	95⅝	7.35
3.	Kingdom of Italy (d) 6½s, 1925	90½	9.40
4.	Republic of Chile (b) 8s, 1941	98¼	8.15
5.	Sao Paulo (b) 8s, 1936	97⅜	8.25
6.	U. S. of Brazil 8s, 1941	99⅝	8.05
	Railroads. GILT EDGE.		
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	84	8.25
2.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	81⅝	5.45
3.	Southern Pacific (b) 1st Ref. 4s, 1955	77⅞	5.45
4.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	79	5.30
5.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	82¼	5.25
6.	New York Central (a) Genl. Mtg. 3½s, 1997	67⅝	5.25
7.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	76⅝	5.85
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1948	80	5.45
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	80	5.75
10.	West Shore (a) 1st Mtg. 4s, 2361	73⅝	—
11.	Norfolk & Western (c) Cons. 4s, 1996	77⅝	5.15
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	97⅝	5.15
13.	Atchison (b) Genl. Mtg. 4s, 1995	78⅛	5.15
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	75	5.35
	Industrials.		
1.	Armour & Co. (a) R. E. 4½s, 1939	82½	6.15
2.	General Electric (b) Deb. 5s, 1952	88	5.85
3.	International Paper (a) 5s, 1947	82	6.45
4.	Indiana Steel (a) 5s, 1952	92½	5.50
5.	Liggett & Myers (aa) Deb. 5s, 1951	86½	6.00
6.	Baldwin Loco. (a) 5s, 1940	93⅝	5.55
7.	National Tube (a) 5s, 1952	92	5.55
8.	Corn Products (a) 5s, 1934	90-95	—
9.	U. S. Steel (a) 5s, 1963	94⅝	5.25
	Public Utilities.		
1.	Amer. Tel. & Tel. (c) 5s, 1946	88⅝	5.95
2.	Duquesne Light (b) 6s, 1949	95	6.35
3.	Pac. Tel. & Tel. (a) 5s, 1937	88¼	6.15
4.	N. Y. Telephone (b) 4½s, 1939	84⅞	5.85
5.	Montana Power (c) 5s, 1943	87⅞	6.00
6.	Cal. Gas & Electric (a) 5s, 1937	88½	6.15
7.	Western Union Tel. (a) 4½s, 1950	83⅛	5.65
8.	N. Y. G., E. L., H. & P. (a) 5s, 1948	90	5.75
	Railroads. MIDDLE GRADE.		
1.	Illinois Central (b) Col. Trust 4s, 1952	75½	5.70
2.	Southern Pacific (b) Col. Trust 4s, 1949	73⅞	6.05
3.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	70⅜	6.25
4.	Norfolk & Western (a) Conv. 6s, 1929	103½	5.45
5.	Atchison (a) Conv. 4s, 1960	84	4.90
6.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	63⅝	6.95
7.	Cleve., Cinn., Chic. & St. L. (a) Deb. 4½s, 1931	80	7.35
8.	Ches. & Ohio (b) Conv. 5s, 1946	83⅝	6.25
9.	Pere Marquette (c) 1st Mtg. 5s, 1956	84	6.15
10.	Kansas City Southern (a) 1st Mtg. 3s, 1950	58⅝	6.05
11.	Pennsylvania (a) Genl. Mtg. 5s, 1968	88	5.85
12.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	70½	5.75
	Industrials.		
1.	Wilson & Co. (a) 1st 6s, 1941	88⅝	7.05
2.	Comp. Tab. & Recording (b) 6s, 1941	80	8.00
3.	Adams Express (b) 4s, 1948	63	7.10
4.	Int. Merc. Marine (b) 6s, 1941	82¼	7.75
5.	Diamond Match (c) Deb. 7½s, 1935	104⅝	6.95
6.	Du Pont de Nemours (c) 7½s, 1931	99½	7.55
7.	Lackawanna Steel (c) 5s, 1950	77½	6.75
8.	Bush Terminal Bldg. (a) 5s, 1960	77⅝	6.65
9.	U. S. Rubber (c) 5s, 1947	80⅝	6.55
10.	Amer. Smelting & Refining (c) 5s, 1947	79½	6.65
11.	Goodyear Tire (c) 8s, 1941	103⅝	7.65
	Public Utilities.		
1.	Detroit Edison (c) Ref. 5s, 1940	84⅝	6.85
2.	Brooklyn Union Gas (a) 5s, 1945	83⅝	6.35
3.	Northern States Power (b) 5s, 1941	82	6.65
4.	Brooklyn Edison (c) 5s, 1949	84	6.20
5.	Utah Power & Light (a) 5s, 1944	83⅝	6.35
6.	Cumberland Tel. & Tel. (b) 5s, 1937	83⅝	6.65
	Railroads. SPECULATIVE.		
1.	Western Maryland (a) 1st Mtg. 4s, 1952	55⅝	7.55
2.	Iowa Central (a) 1st Mtg. 5s, 1938	74	7.75
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	65½	9.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	66⅞	9.20
5.	Southern Railway (a) Genl. Mtg. 4s, 1956	59½	7.15
6.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	56¼	7.25
7.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	76	7.50
8.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	69-72	—
9.	Denver & Rio Grande (c) 1st Ref. 5s, 1955	44⅝	11.50
	Industrials.		
1.	American Writing Paper (a) 6s, 1939	69¼	9.65
2.	Chile Copper (b) 6s, 1932	76⅝	9.45
3.	Va.-Carolina Chemical (c) 7½s, 1932	92⅝	8.55
4.	American Cotton Oil (a) 5s, 1931	72½	9.25
5.	Cuba Cane Sugar (c) 7s, 1930	58½	—
	Public Utilities.		
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	68⅝	7.55
2.	Intr. Rapid Transit (a) 5s, 1966	56½	9.00
3.	Third Avenue (b) Refg. 4s, 1960	54⅝	7.65
4.	Public Service Corp. of N. J. (a) 5s, 1959	69½	7.40
5.	Va. Rwy. & Power (a) 5s, 1934	69	9.10

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

For Those in Search of Railroad Bonds

A Group of Eighteen, Selected with an Eye to Safety and Profit Possibilities

By **JOHN MORROW**

SOME investors may feel that because bond prices have been strong during the past several weeks they have "missed" their market. While it is too much to expect bond prices to move steadily ahead without any interruptions at all, the general or underlying trend undoubtedly is upward, and the investor who wishes to place safely his funds for the long pull should not waste too much time in quibbling over the actual price level, which after all is relative, and in all probability will look low a year or so from now.

Rail Sentiment Changed

Earlier in the year it was exceedingly difficult to arouse enthusiasm over railroad securities. Of course, the bonds of the American railroads are widely distributed, and while many holdings undoubtedly were dislodged during the past three or four years, the big institutional holdings probably were not permanently disturbed, and, generally speaking, this class of securities remains as the backbone of American investment holdings.

Earlier in the year funds for investment purposes were not as plentiful as they are now, and, furthermore, railroad earnings returns—even those of the strong systems—were not such as to encourage the individual investor to place his funds in railroad bonds. The present relatively active demand for investment securities is due to the accumulation of surplus funds and to a renewal of confidence in secured corporation obligations.

The big improvement in railroad net earnings is another strong reason for more active purchasing of this class of bonds. During the earlier months of 1921 the railroads as a whole were earning perhaps 1½% to 2% on estimated property valuation, and several of the leading systems were not earning operating expenses, to say nothing of fixed charges. As for a surplus for stock—that was an exception prominently to be commented upon when it occurred.

Along in May the definite change for the better appeared, and in each succeeding month railroad net earnings have materially increased until the August returns indicated that the railroads earned at the rate of over 5% on estimated property valuation during that month.

The average net earnings naturally have averaged well below the 6% return on property valuation which was designated in the Transportation Act as a reasonable and proper return. However, current monthly earnings of the railroads have dissipated fears over the ability of properly managed systems to earn interest charges. In fact, many of the roads are now earning a substantial rate upon their share capitalization.

It is worthy of comment that the improvement in railroad net earnings has proceeded hand-in-hand with the trend toward easier money conditions, and the combination has produced the improved inquiry for railroad bonds.

Another factor of interest injected into the situation is the consolidation plan proposed by the Interstate Commerce Commission whereby the railroads of the country may be consolidated into some nineteen or twenty big systems. As the Transportation Act stands now, the Interstate Commerce Commission has no power to enforce the suggested consolidations, but in view of the importance of the question and its comparative value from an operating and financing standpoint, it is likely that the plan will be worked out, although not necessarily exactly along the lines suggested by the commission. Generally speaking, a strong road is picked out as a leader of a system, and with it are placed one or more of the weaker roads. Naturally, such an arrangement is going to awaken interest in the securities of the second-grade roads, even though at the present time the proposals contain more of an academic than a practical interest.

What Rail Bonds to Buy

A potential purchaser of railroad bonds may confine his selections entirely to the highest grade securities, such as the Atchison general 4s, the Southern Pacific refunding 4s, the Northern Pacific prior lien 4s, the Atlantic Coast Line first 4s, and similar issues, thereby resting content with a yield at current market prices of about 5⅓%, or he may go further afield and consider issues of not such a high grade, but which give a considerably greater income return and which have the possibility of substantial price appreciation should the railroad situation work out along the hoped for and anticipated lines.

ATTRACTIVE RAILROAD BONDS

Issue	Outstanding	Interest	Approximate mkt. price	Income return	Yield to maturity
'Frisco P. L. 4s, 1950	$86,196,650	Jan. & July	63	6.3%	6.9%
'Frisco cum. adj. 6s, 1955	39,200,000	A. & O.	69	8.6	8.8
'Frisco inc. 6s, 1960	35,190,000	October 1	58½	10.2	10.3
Rock Island ref. 4s, 1934	94,900,000	A. & O.	70½	5.6	7.7
Rock Island, Ark. & Louisiana 1st 4½s, 1934	11,000,000	M. & S.	71	6.3	8.2
Kansas City Southern ref. & imp. 5s, 1950	18,070,000	J. & J.	79	6.3	7.0
St. Louis Southwestern 1st cons. 4s, 1932	22,261,000	J. & D.	65½	6.1	6.1
Pere Marquette 1st 5s, 1956	21,900,000	J. & J.	85	5.8	6.0
Wheeling & Lake Erie 1st cons. 4s, 1949	6,870,000	M. & S.	57	7.1	7.8
Balt. & Ohio conv. 4½s, 1933	63,250,000	M. & S.	70½	6.3	8.5
Chicago Gt. Western 1st 4s, 1959	25,383,000	M. & S.	53	7.9	9.5
Western Pacific 1st 5s, 1946	20,000,000	M. & S.	81	6.1	6.6
Chicago & Alton ref. 3s, 1949	45,350,000	A. & O.	47	6.3	7.6

A difference in yield between 5⅓% and 6½% to 8%, of course, is of substantial importance to the average investor. While it may be very conservative to "stick to" the highest grade rail bonds, if the investor is absolutely dependent upon income therefrom, there are rail bonds with yields of over 6% which by no means are "weak sisters," but which offer worthwhile attractions, particularly to the business man who can well afford to place at least a portion of his surplus funds in these securities. These bonds are not endangered as to principal and interest, and it seems to the writer that opportunities in this class of rail securities are not going to last for an indefinite time. Admittedly, the rail bonds suggested below are not of the highest grade, but the small risks involved are far outweighed by intrinsic worth, particularly when measured by current market prices.

'Frisco Issues

There are three bonds of the St. Louis-San Francisco Railway which are interesting—one a mortgage issue, and the two others adjustment or income bonds. The mortgage issue is a 4%, series A, prior lien,

due 1950. This issue, together with the B-5s and the C-6s, is secured upon the entire property of the company, subject to only $11,500,000 prior liens.

The cumulative adjustment mortgage 6s, due 1955, are secured by mortgage on all the property, subject to $121,000,000 prior liens. The income mortgage 6s, due 1960, are subject to $121,000,000 prior liens and also to the cumulative adjustment 6s. It will be noted that interest on the adjustment 6s of 1955 is cumulative, while interest on the income 6s of 1960 is not. Interest on both of these issues is payable only if earned, and in fact the two bonds are somewhat in the nature of preferred stocks. However, interest on both has been paid regularly since issuance in 1916. The 'Frisco system, which operates some 5,200 miles of road, has been earning interest charges this year with a relatively comfortable margin to spare, and in fact it would not be surprising if the road earned $4 or $5 a share upon the common stock after all prior charges.

Rock Island Refunding 4s of 1934

This issue is secured by a direct or collateral lien on 5,800 miles of road, and is a second lien on 4,200 miles of road. The issue is subject to about $75,000,000 in prior liens, the bulk of which carries interest at the rate of only 4%. This first and refunding 4% mortgage was undisturbed through the reorganization of the property.

In the eight months to August 31, this year, Rock Island earned surplus, after charges, of about $2,500,000, and will probably show surplus on common stock for the whole year, after providing for dividends upon two preferred issues which are being regularly paid.

Rock Island, Arkansas & Louisiana 1st 4½s of 1934

Secured by first mortgage on 363 miles of road forming an important part of the Rock Island system. This issue is guaranteed, principal and interest, by the Rock Island, by endorsement.

Kansas City Southern Refunding and Improvement 5s of 1950

Secured by direct lien on all the property, but subject to $30,000,000 first mortgage 3s, due 1950. Kansas City Southern operates a north and south line from Kansas City to the Gulf of Mexico of some 850 miles. Earnings so far reported this year indicate that the system will earn fixed charges perhaps 1¾ times and will show appreciable surpluses for share capitalization.

St. Louis Southwestern First Consolidated 4s of 1932

Secured by direct mortgage on 622 miles and by collateral trust on 753 miles. Subject to $23,000,000 prior liens. Earnings of the road indicate a return of perhaps 3% on common stock this year, after all charges. The system comprises some 1,700 miles of road, extending from St. Louis southwest into Louisiana and Texas.

The issues above described represent obligations of railroads operating in the same general territory—that is, finding their starting points in the Middle West, just west of the Mississippi, and thence cutting down mainly into the southwestern agricultural and oil districts. All of these roads have had their vicissitudes in the past, but ought reasonably to have a normal earning power fully able to cover interest charges, with a margin to spare.

Pere Marquette First 5s of 1956

These bonds are secured by direct mortgage on the entire property of the company, subject to only $5,800,000 prior liens. In 1920 interest and rentals were covered about one and a half times, and this year indications are that interest requirements will be covered two and three-quarter times, or perhaps even better. Pere Marquette operates mainly in Michigan and ought to be benefited by recovery in the copper mining and automobile industries.

Wheeling & Lake Erie First Consolidated 4s of 1949

Secured by direct mortgage on 472 miles of road, most of which runs from Cleveland, Ohio, to Zanesville, Ohio. Wheeling & Lake Erie is not a strong road, but, according to the latest available figures, is more than earning interest requirements. Also, its position may be helped by the national consolidation plan.

Baltimore & Ohio Convertible Debenture 4s of 1933

These debentures are a lien, equally, with the refunding and general mortgage, but subject to some $280,000,000 prior liens. The convertible 4½s are a junior security to Baltimore & Ohio. The conversion privilege is of no present value, and the common stock of the company would have to have a big advance before it was of any value.

The recovery in Baltimore & Ohio has been excellent, and the company promises to more than earn interest charges this year. Baltimore & Ohio was hard hit during the period of Federal control, and the ability of the road to recover has been one of the most reassuring of the railroad performances.

Chicago Great Western First 4s of 1959

Secured by first mortgage on 750 miles of road from Chicago to St. Paul. Chicago Great Western is a small system, handicapped by the keen competition offered by half a dozen of the strongest western lines. Nevertheless, in normal times Chicago Great Western earned interest charges, with some margin to spare, and indications are that fixed charges will be more than covered this year.

Western Pacific First 5s of 1946

Secured by first mortgage on 1,000 miles of road from San Francisco to Salt Lake City. This is the senior mortgage of the road, which was built to offer a Pacific Coast outlet to the Denver & Rio Grande, which the Western Pacific recently acquired. Excluding Denver & Rio Grande, it appears as if Western Pacific ought to cover interest charges this year. The company is maintaining a dividend of $6 on preferred stock.

Another possibility in railroad bonds is the Chicago & Alton refunding 3% issue, due 1949, which is secured by a direct mortgage on 600 miles of road in Illinois and which is the senior security of the company. Alton has shown poor earning power, being able barely to cover interest charges, and in fact, being kept alive by larger systems who have had an interest in Alton. The intrinsic value of these bonds makes their present price seem reasonably attractive, although they are in quite a speculative position and are not as attractive and safe as the other issues described.

The plan of the Interstate Commerce Commission for grouping the railroads of the country into nineteen systems is only tentative and subject to lengthy hearings, and probably to some strong objections; but in considering the bonds described above, it is interesting to note how the commission has placed the systems represented by the securities:

'Frisco is linked with the St. Louis Southwestern, the Alton, and the Missouri, Kansas & Texas. Rock Island is placed in a system with the Southern Pacific. Pere Marquette heads a system of its own. Wheeling & Lake Erie is linked up with Lehigh Valley and the Nickel Plate. Baltimore & Ohio is tentatively placed with the Reading and the New Haven. Western Pacific goes into the Santa Fe system.

It is not claimed that the above suggestions by any means exhaust the list, but the bonds are selected with the purpose of indicating the lines along which a business man's investment in railroad bonds should be directed. There may be greater diversification, but the point to bear in mind is the fact that the 1921 opportunity in all probability will not be repeated in 1922.

The New York Traction Report

The Governor's Traction Commission in issuing its report on the street railway and subway situation in New York has given to the public a perplexing document, whose precise meanings are not easy to discover except in certain leading particulars. With one hand the Commission holds out municipal ownership while with the other it puts forward a five cent fare—provided however that the transportation does not cost more than five cents. On the other hand the report calls for the acquirement of existing lines through the issue of new securities to take the place of the old ones on a basis of "fair valuation," which apparently means physical valuation and would thus be unjust to many classes of security holders. Whether the complicated mechanism for operating the lines would or would not "work" is an interesting question as to which opinions will differ very greatly. Perhaps the most severe criticism on the traction report is found in the fact that it is apparently projected into a municipal campaign at a critical moment and that its authors have adopted so Janus-faced a point of view. Almost anything can be extracted from the traction report to please any section of opinion—both municipal ownership, private operation, five cent fares, fares based on cost of transportation, the exclusion of water from stock, physical valuation and guaranteed bond interest payments—the latter to be secured through provision made for them out of the gradually rising scale of fares as costs advance.

Ten Exceptional Bond Bargains

Some Excellent Opportunities Culled from the Hundreds of Issues Dealt in on the New York Stock Exchange

***By* W. S. LAWTON**

A BOND may be called "unusually attractive" if it yields considerably more than most other issues enjoying the same degree of security and marketability. Such a bond is a bargain, but like all bargains, it must be examined carefully before purchase. When an issue is selling much lower than its character would apparently warrent, it is advisable to seek some explanation of this price discrepancy. Critical investigation will frequently disclose some inherent weakness—not evident at first—which justifies its low quotation. But if, on the other hand, the market level is found to be depressed by conditions that do not affect its intrinsic value, then the issue constitutes a real investment opportunity, which those of superior shrewdness and energy will not fail to grasp.

The causes which bring such bargains into being are numerous and varied, but fall naturally into two classes—relating to over-supply and to under-demand. The simplest case of over-supply results from the sudden liquidation of a large block of any security. It is often due to poor initial distribution of an issue, leading to heavy sales by dealers or speculative holders. An excellent example of such "technical" reasons for market depression is afforded by the Japanese Government bonds, which for a long time sold at very low prices here merely because low foreign exchange rates made it extremely profitable for European holders to dispose of their bonds in New York. Since the obligations are payable in a fixed amount of dollars, their *value* was in no wise dependent on exchange fluctuations, but their *price* was nevertheless largely governed by the course of sterling and francs.

From the opposite standpoint, bond bargains often arise from the failure of investors to appraise an issue at its true worth. Sometimes the market exaggerates the importance of an adverse development, and the price declines to unduly low levels. More frequently the opportunity is caused by a great improvement in the status of an issue, which is not reflected by a corresponding advance in price.

A careful scrutiny of the quotation sheet of the New York Stock Exchange brings to light just ten issues which yield substantially more than other bonds of similar grade, and which in the writer's opinion are real investment bargains. In the following paragraphs the issues will be discussed individually, with the aim of showing their intrinsic worth and secondly of supplying an explanation of their low market level.

Louisville & Nashville, St. Louis Division Second 3s, due 1980
Price 54, to Yield 5.72%

This is an old line, underlying, long term railroad issue, of the type that has been selling on so low an income basis because of its scarcity and popularity among older investors. These bonds are secured by a second lien on an important part of the L. & N. system, mortgaged altogether at only $31,400 per mile. In view of the position of Louisville & Nashville among the strongest roads, this issue is undoubtedly preferable to either the Kansas City Southern 3s, due 1950, or the Northern Pacific 3s, due 2047, both of which sell about four points higher. These St. Louis Division 3s have apparently been particularly affected by foreign selling in recent years, and have not yet recovered to their proper comparative price level.

Ten Unusually Attractive Bonds

Issue	Rate	Due	Price about	Yield
Louisville & Nashville, St. Louis Division 2nd	3%	March, 1980	54	5.72%
American Telephone & Telegraph (Convertible)	4	March, 1936	73½	6.90
United Kingdom of Great Britain & Ireland (Convert)	5½	Aug., 1929	91	7.00
E. I. Du Pont de Nemours	7½	May, 1936	99½	7.55
Union Bag & Paper 1st	5	July, 1930	83	7.72
Chesapeake & Ohio (Convert.)	4½	Feb., 1930	79½	7.35
Third Ave. Ry. Refunding	4	Jan., 1950	54	8.15
Sinclair Consol. Oil Secured (Convert)	7½	May, 1925	98	9.80
Market Street Railway 1st	5	Sept., 1924	77	12.50
Virginia-Carolina Chemical (Convert)	6	May, 1924	86½	12.60

Am. Telephone & Telegraph 4s, Due 1936.
Price 73½, Yielding 6.90%

The return on this issue is remarkably high for an obligation of the Telephone Company under present conditions. The collateral trust 5s, due 1946, for example, yield only 5.92%, or nearly one per cent less. These 4% bonds are a very small issue, only $2,589,000 being outstanding, by far the larger amount of the original emission having been converted into stock. The conversion privilege terminated some years ago, so that the bond now sells on its merits as a debenture obligation of the Bell System.

It is a well known fact that long term obligations now yield somewhat less than short time notes of the same character, since investors desire to obtain the benefit of present high interest rates for the longest possible period. The simplest example of this tendency is found in the Liberty issues. The Third 4¼s, due 1928, yield 5.36%, while the Second 4¼s, maturing fourteen years later, return only 4.87%. But the exceptional nature of the Am. Tel. & Tel. 4s of 1936 is shown by the fact that, although they are a fifteen year investment, they yield considerably more than the other debentures of the same company which are due much sooner—namely the 6s of 1922 and 1924. Both of these return only about 6.30%, and hence are not nearly as attractive as the issue we are recommending.

The low price of the 4s of 1936 is probably due to the small size of the issue, and the fact that for years it sold at a high level, based entirely on its conversion feature. The bond thus lost its character as an ordinary investment, and now suffers accordingly from the lack of public familiarity with its merits.

E. I. du Pont de Nemours 7½s, Due 1936
Price 99½, Yielding 7.55%

This is the only important funded obligation of a world-famous enterprise, founded in 1802, with an enviable record of strength and stability stretching far back into prewar days—to which were naturally superadded unheard-of profits during the great conflict. The wealth of the du Ponts has been proverbial, and one would think off-hand that the bonds of so old and powerful a company would be eagerly sought by investors.

Yet the public has certainly failed to "take" to this bond. While practically all the good securities are selling at substantial advances above their prices earlier in the year, the du Pont 7½s are even slightly below their initial figure. We have Atlantic Refining 6½s (Standard Oil) selling at 102½—a 1% lower coupon rate, and a 3 point higher price than the du Pont issue. Why the relative unpopularity of these bonds? The answer is probably twofold. The public seems to feel that with war profits at an end, the earning power of the du Pont Co. may almost disappear, especially since German competition may be very dangerous in some of the newer chemical fields which the company has entered. Secondly, du Pont is heavily interested in General Motors, and investors are rather afraid of the automobile industry under present conditions.

But a brief study will show that the bonds of the du Pont company are so strongly entrenched as to remain impervious to influences such as these. To begin with, there is an enormous quantity of common and preferred stock, which is junior to the 7½s, and which must therefore bear the full brunt of any untoward

developments. The market value of the stock issues exceeds $115,000,000, more than three times the amount of the bonds outstanding. Secondly, the actual peace-time earnings of the company in 1920 were $14,563,000, compared with interest charges of $2,625,000. Finally, the investment in General Motors was made at very low prices, and the bonds are backed by 7,000,000 shares of Motors stock, which are thus taken at $5 per share—about half the present greatly depressed market price.

Du Pont bonds should rank with Diamond Match 7½s or Westinghouse 7s, and by comparison appear to be selling at least five points too low.

Virginia-Carolina Chemical Convertible 6s, Due April, 1924
Price 86¼, Yielding 12.60%

This is another short-term investment returning an unconscionable yield. As with other fertilizer companies, Virginia-Carolina has been through a harrowing experience, necessitating the omission of both common and preferred dividends. Yet it is generally felt that the worst is behind this industry, which because of its basic character must soon be re-established on a normal operating basis. Virginia-Carolina Chemical has had an exceptionally stable record, its gross business having grown steadily in good times and bad—until the May, 1921, year.

The 6s due 1924 are controvertible into preferred stock at 110—a privilege once of importance, but now seemingly of little potential value. It is probably not generally realized that they are secured equally with the new 7½s, due 1932, by a lien on all the property, subject to $12,300,000 1st 5s of 1923. The interesting feature about these 6s is that they yield 12.60%, while the 7½s, with which they rank equally, return only 8.50%. Furthermore, the preferred stock—junior of course to the 6s—sells at 76, which would be only a 10.53% basis, even if full 8% dividends were paid. This rather high quotation for non-dividend paying issue indicates the belief of investors that Virginia-Carolina will soon be able to resume preferred dividends—which would mean of course that its bond issues would be fully provided for.

The 6s of 1924, of which there are only $2,617,000 outstanding, are evidently selling out of line with the other securities of the same company, and their very high yield makes them an attractive speculative investment.

Sinclair Consol. Oil, Secured Convert. 7½s, Due 1925
Price 93, Yielding 9.80%

When the return begins to climb above 9%, it is evident that a certain speculative element is inescapable. Complete safety and 10% are rarely found in partnership. And yet—with careful selection—a few high-yielding bonds can be found to exhibit surprisingly good security.

In the case of Sinclair Oil 7½s, the outstanding feature is that the company has settled down to a stable operating basis. The period of great expansion is at an end, and the speculative glamor has died out of its stock. At one-third of its high figure of 1919, the present price of about 20 may be taken as a critical and none too optimistic appraisal of the enterprise. The market thus values at about $78,000,000 the stockholders' equity, which is subordinate to the $47,500,000 of 7½% bonds. Regarded as a conservative figure—and it is less than one-third of the book value—this appears a very substantial protection for the bondholder. At the end of last year, this issue was fully covered by net current assets, excluding the heavy investment in refineries, pipe lines, wells and other fixed properties. In the difficult conditions of the first half of 1921—in which some of the Standard Oil companies reported actual losses—Sinclair Oil seems to have covered its interest charges about three times over, and even showed a fair surplus after a $6,000,000 write-off for inventory adjustment.

Sinclair Oil is now a huge, well-rounded factor in the petroleum industry. Its bonds represent only a small part of the actual expenditures for property, and under normal conditions the interest charges should be earned with a large margin. The bond appears well enough secured to warrant a higher market level.

United Kingdom of Great Britain & Ireland Convertible 5½s, Due 1929
Price 91, Yielding 7.00%

This is another issue which shines by comparison. Its anomalous position, as contrasted with other British bonds, is shown by the following table:

	Due	Price	Yield
United Kingdom convertible 5½s	1922	98¾	6.65%
United Kingdom convertible 5½s	1929	91	7.00
United Kingdom non-convertible 5½s	1937	90	6.55

The 1929 issue thus yields considerably more than the other bonds maturing either seven years earlier or eight years later. This discrepancy appears especially strange because the 5½s of 1929 have a very attractive conversion privilege, which is entirely lacking in the 1937 maturity. While the 1922 issue is also convertible, the short time the bonds have to run makes this feature of much smaller value.

The conversion privilege of the 5½s of 1929 is a little complicated, but in effect it is the right to receive for each bond at maturity either $1,000 in American dollars, or £244-5s in sterling. This means that if sterling is then quoted above $4.10 to the pound, it will be profitable to convert, because the English money received would be worth more than $1,000. Should British exchange by any chance have returned to pre-war parity, each bond would then be worth no less than $1,185,—a very handsome premium indeed. Furthermore, full advantage can be taken of any substantial recovery in sterling prior to the maturity of the bonds.

It should be borne in mind that this issue is primarily a *dollar* bond, and that its relation to sterling is purely optional on the part of the owner. If British exchange should remain at or below present levels, he will cash his bond at par in dollars and ignore the conversion feature. Yet it is probably a vague feeling that the value of this issue is closely dependent on English exchange that accounts for its low price, following the decline of sterling from the year's high of about $4. But the beauty of this bond is that it has all the possible advantages of an exchange speculation with none of its risks; and it is this fact that makes the United Kingdom 5½s of 1929, in the writer's opinion, by far the most attractive of the conservative foreign government issues.

Third Avenue Refunding 4s, Due 1950
Price 54, to Yield 8.15%

During the recent period of storm and stress for traction lines, Third Avenue's record stands out as most unusual. In the first place, it has continuously earned and paid its fixed interest charges. Secondly, it has maintained a surprisingly strong financial position, with large resources in cash and Liberty Bonds, and no floating indebtedness. At the present time, it is very nearly covering the full 5% on the adjustment bonds (interest on which is payable only if earned), so that the actual fixed charges—including the requirements of the 4s due 1950—are being met about twice over.

This is a most satisfactory exhibit on a five cent fare and with abnormally high operating costs. The tendency is now definitely towards a lower level of expenses, and it would seem that a traction bond that has come through the war period unscathed should now be assured of a peaceful future. Provided only that the company is not burdened with a heritage of floating debt or increased fixed charges—from both of which evils Third Avenue is happily free. It is evident also that the Refunding Bondholders have nothing to fear from the Transit Commission's unification plan, for the large volume of junior securities makes it certain that the appraised value of the property will exceed the par amount of 4% bonds. Under such circumstances, the new plan holds forth great advantages for this issue, for it purports to guarantee interest on the legitimate obligations of the traction lines.

Chesapeake & Ohio (Convertible) 4½s, Due 1930
Price 79½, to Yield 7.85%

This is another example of a bond which has failed to keep pace marketwise with the improvement in the status of the obligor company. Chesapeake made an unusual record under Federal control, it being one of the few roads which actually earned its guaranteed rental. Its current showing is most satisfactory, and its prospects extremely bright. In the face of an exhibit far superior to that of most of the standard roads, the directors omitted the dividend on the stock, earlier in the year. This is one of the few instances when bondholders could properly regard

(*Continued on page* 886)

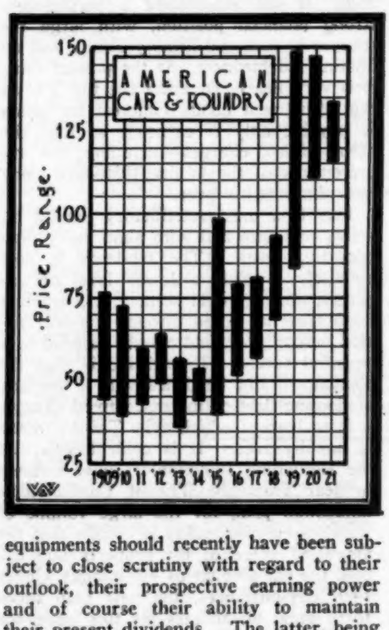
Industrials

American Car & Foundry Co.

An Aristocrat Among the Equipments

Maintains Satisfactory Earning Power Even Under Present Conditions

THE equipment companies are practically the only important homogeneous group among the industrials to continue their dividends at the the highest rates established since the outbreak of the war. Not only this, but from a market viewpoint these issues, taken as a class, have suffered relatively less than any other group. It is not surprising, therefore, considering the skeptical frame of mind of the speculative public, that the



equipments should recently have been subject to close scrutiny with regard to their outlook, their prospective earning power and of course their ability to maintain their present dividends. The latter, being the all-absorbing subject in these days, it will be a matter of considerable interest to shareholders and investors, in general, to ascertain what the future is likely to hold in store for one of the greatest of these companies—American Car & Foundry.

From a strictly business viewpoint this company offers a favorable comparison not only with the equipment group in general, but, very probably, with every individual company in that group. It has long stood out as the leading factor in the car-building industry, and during many years past has built up a reputation second to none in this particular line. There is no competitor of equal size and probably the company will command this unassailable position for many years to come.

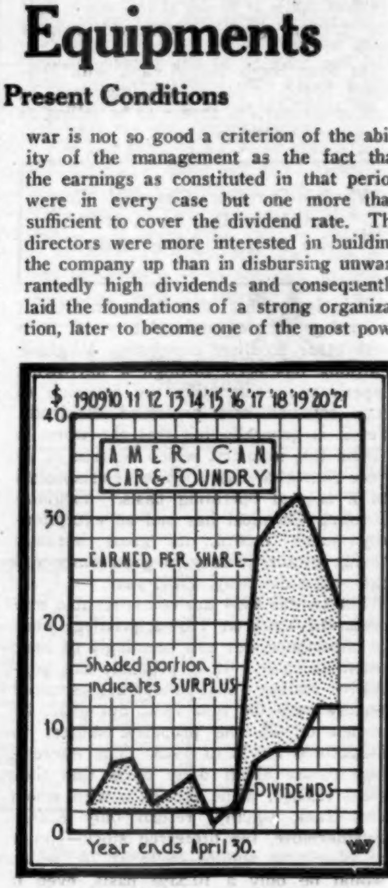
A Remarkable Record

When it is considered that since 1909, a period of 12 years, earnings in every year but one were more than sufficient to cover dividend requirements as constituted in any year in that period, it will be appreciated that the company has made an excellent record for stability in earning power. Incidentally, it is a tribute to the management which is noted for its progressiveness as well as its conservatism.

As to Earnings

It is not to be assumed, however, that the company has always enjoyed high earning power. This is not quite the case. In the period before the war its earnings were moderate indeed as compared with those which were enjoyed since 1915. For example, the highest rate of earnings in the period 1909-1915 was $7.11 a share in 1910. This would compare with $32.24 a share earned in 1919, not a very favorable comparison. There was also one year, that of 1914, when a deficit was actually incurred but this was the result of the early war conditions which seriously affected the railroads and interests dependent on them.

The actual rate of earnings of the company, however, in the period before the war is not so good a criterion of the ability of the management as the fact that the earnings as constituted in that period were in every case but one more than sufficient to cover the dividend rate. The directors were more interested in building the company up than in disbursing unwarrantedly high dividends and consequently laid the foundations of a strong organization, later to become one of the most pow-



erful factors in the business. Actually about $16 a share was added to surplus in the period under discussion, or a total of about $5,000,000.

By the time the war had been in progress two years, the company had built up a wonderful organization and plant equipment and was easily in a position to take care of the immense amount of business thrown its way. In 1916-1917 fiscal year,

AMERICAN CAR & FOUNDRY

Comparative Balance Sheet (Year Ending April 30)

ASSETS	1921	1920
Property and plant	$71,875,643	$68,517,847
CURRENT ASSETS		
Material on hand	14,010,061	15,007,108
Accounts and notes receivable	28,301,833	8,573,807
Stocks and bonds, other companies	5,992,338	3,679,616
U. S. certificates, Liberty bonds, etc.	5,006,850	33,737,050
Cash	11,474,439	10,034,399
Total	$136,663,158	$139,540,827

LIABILITIES	1920	1921
Preferred stock	$30,000,000	$30,000,000
Common stock	30,000,000	30,000,000
Insurance Reserve	1,500,000	1,500,000
Dividend reserve	10,800,000	10,800,000
Other reserve	1,843,585	3,490,152
P. and L. surplus	35,276,568	32,425,718
CURRENT LIABILITIES		
Accounts and bills payable, and payroll	21,604,583	15,694,106
Provision for taxes	4,123,412	7,950,000
U. S. R. R. Administration for advances	......	6,334,586
Preferred dividend payable	525,000	525,000
Common dividend payable	900,000	900,000
Total	$136,663,158	$139,540,827

earnings jumped to $27.37 a share compared with $2.38 a share earned in the previous fiscal year. After that, earnings continued very high, the actual figures being: $30.60 in 1918, $32.24 in 1919, $27.67 in 1920 and $21.50 in 1921. These figures, of course, refer to fiscal years, the company's year ending April 30.

While the average earnings in the past five years have been tremendously above those of the 1909-1915 period, it will be noted that the trend of earnings since 1919 has been down. This has been due partly to the cessation of war-business on account of the end of hostilities and partly, as in the last year, to the inability of the railroads to make necessary purchases of equipment on a large scale.

Nevertheless, during the 1920-1921 year, which on the whole was a comparatively poor one for both the railroads and the equipments, it will be noted that earnings for the company were still high, amounting to $21.50 a share, or $9.50 a share in excess of the $12.00 dividend rate paid on the common stock. *This suggests that the company has a relatively high earning power even under what might be considered unfavorable conditions.* It is a very important clue as to the company's future ability along the line of earning power.

Powerful Financial Position

One of the outstanding features of the Car & Foundry balance sheet is the extraordinary increase of accounts and notes receivable from $8,573,807 to $28,301,833. In these figures is contained the whole story of the financial embarrassment of the railroads during the past year or more. In common with the other equipment companies, American Car & Foundry was greatly embarrassed by the inability of the railroads to pay their bills. This situation still exists. Some of the carriers have been in arrears to the equipment companies for over a year and in a general way it can be said that this arrearage has barely been modified as yet. However, with President Harding in favor of the extension of what amounts to a $500,000,000 credit to the railroads the latter will be in a position to pay off their indebtedness and have something left over with which to make new purchases as needed. In that case the equipments will be paid the amounts owing to them and their financial position should accordingly show a great improvement. No doubt, the next balance sheet of Car & Foundry will show an important change in this respect.

The strain imposed on the equipment companies by the inability of the railroads to pay their bills resulted in many instances in a depletion of cash and other liquid assets. Thus the particular company under discussion showed a drop in U. S. certificates of indebtedness, Liberty bonds and other securities from $33,737,050 to $5,008,850. This is a difference of over $28,000,000 but is almost fully accounted for by the fact that accounts and notes receivable showed an increase of $20,000,000. In other words, most of the liquid assets of the company were disposed of in order to support the strain of the nonpayment of bills by the carriers.

The process should be reversed, however, during the present fiscal year, with liquid assets showing an increase and notes and accounts receivable a decrease. The company therefore faces the prospect of an improving financial condition.

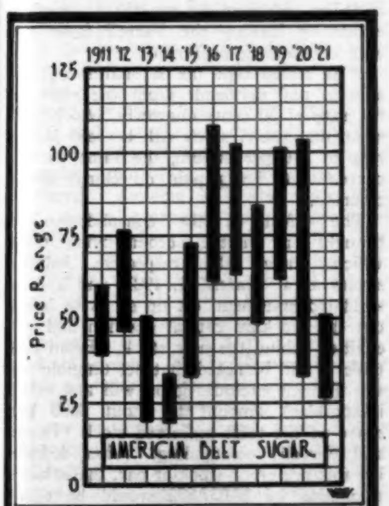
(*Continued on page* 885)

American Beet Sugar Company

A Severe Period of Adjustment

Drastic Changes in Financial Condition but Ultimate Outlook Is Encouraging

THE slump in Cuban sugars, and consequently refined prices, caught American Beet Sugar in its train and involved the company in one of the most difficult periods in its history. A whole series of changes occurred. Bank loans increased greatly; and a substantial carry-over from the last season's crop was



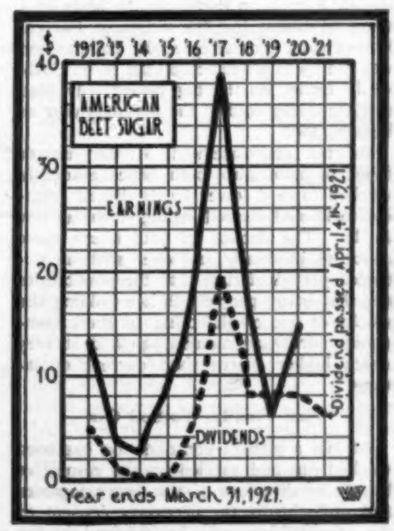
a very discomforting feature. The liquidity of the company's position so altered that it was found necessary to omit altogether the common dividends which had been continued since 1915. The beginning of the fiscal year, April 1, 1921-1922, consequently found the company in a more or less battered condition.

In the circumstances, it is obvious that drastic methods had to be employed to secure the foundation of the company's financial structure. The stoppage of dividends on the common stock, ordered last April by the directorate, was merely one phase of a general policy of retrenchment and economy of operation. Great efforts were made, resulting successfully, to liquidate the company's large carry-over of beet sugar. New arrangements were made with farmers by which the latter agreed to receive a price of about $6 a ton for beets during the 1921-1922 campaign against a price of about $12 a ton during the 1920-1921 campaign. Inasmuch as this item together with transportation charges constitutes about 70% of the company's operating expenditures it will be seen that the company is in a better position than last year.

Present Financial Condition

In the meantime, however, the company is under the necessity of increasing its borrowings at the banks in order to properly conduct the present campaign. Funds are needed to buy supplies and fuel and, additionally, the farmers must be paid. This requires a large outlay such as is not in the possession of the company, with the result that it is compelled to increase its borrowings as stated above. However, with funds later on flowing back to the company's treasury from the proceeds of the sale of its manufactured products, bank obligations will again be reduced to a healthy level, consequently improving the financial position of the company.

On March 31 last, American Beet Sugar carried about $4,200,000 unsold sugar on its books, against $1,200,000 the previous year. Since that period, all unsold sugar has been liquidated with a complete disappearance of the carry-over. This result was effected, however, not without a considerable loss as a consequence of the lower range of sugar values. Losses on inventory aggregated about $700,000, equal to nearly $5.00 a share on the common stock.



The Earnings Outlook

Despite the exceptionally bad year for the sugar industry, in general, and this company in particular, the latter was able to return a small surplus on the preferred stock aggregating $2.67 a share. However, this is after all an extremely poor showing considering that in the year previous the company earned $14.17 a

share on the common stock. Glancing at the earnings record of the company, it will be seen that this is without question the worst showing in its history.

The past record, of course, is not of so much concern as its possible future. With refined sugar at around 5.50 cents a pound, it is obvious that beet sugar has some pretty stiff competition. Refined sugar carries a differential of from 10 to 20 points difference in its favor as compared with beet sugar so that obviously the beet sugar price is even lower. The company sells most of its product in Chicago and points West so that transportation charges will have to be added to the cane sugar price in order to make a proper comparison. Refined cane sugar is quoted at about 5.50 cents in Chicago, which would make a price of around 5.30 cents for beet sugar, considering the 20 point differential. Last year it cost the company about 10.69 cents a pound to produce and market its product.

Even assuming so great a cut in operating expenses as 33%, this would bring the cost down to about 7 cents a pound, or approximately 1.70 cents a pound above the sale price. It is obvious that the company cannot make money on such a basis. But the point is that this company and other beet sugar manufacturers are not forcing the sale of their product at the present, awaiting the time when the Cuban sugar situation will clear up which would ultimately result in an advance in price of refined cane sugar and consequently the beet sugar product.

The immediate prospect for this company therefore does not appear bright. It does not appear that it can make money on the present basis. However, with an advance in prices, which will probably occur later on, the company will probably be able to get through its fiscal year without any great loss. Thereafter the situation should gradually grow more favorable and probably the company should be on a good money-making basis by the end of 1922.

In considering the prospects for the common stock, it is necessary to take into consideration the fact that it is now selling at a lower price than for many years, that the company is financed sufficiently to take care of its needs during the coming year and that the ultimate, though not immediate, outlook for the industry is favorable.

It is hardly probable that dividends can be resumed for at least a period of a year and a half but prospective investors, in a position to waive this consideration, should ultimately profit from this speculative investment if purchased at something like current levels.

Burns Brothers ***Wm. Farrell & Sons, Inc.***

The Burns-Farrell Consolidation

What It Means to Stockholders

By **R. M. MASTERSON**

FOR the past two years rumors have been going the rounds of Wall Street regarding a merger of New York's two largest retail coal distributors—Burns Brothers and Wm. Farrell & Sons, Inc.

About a year and a half ago it was "touted" around the Street that plans for the merger had been practically completed and that Burns Bros. was to absorb Farrell on the exchange basis of 1 share of Burns for 2½ shares of Farrell. Farrell Coal became especially popular and was bid up to around 55 on the N. Y. Curb, while Burns, on the big Board, advanced to 129, having sold in the previous year as high as 166.

As the announcement of the merger failed to materialize both issues gradually worked toward lower levels, Burns reacting to 76 and Farrell selling down as low as 11. The decline in both issues came about so gradually and over such an extended period of time that the possibilities are that many people still are holding the stocks of one or the other of these companies purchased months ago and at very much higher prices than current quotations.

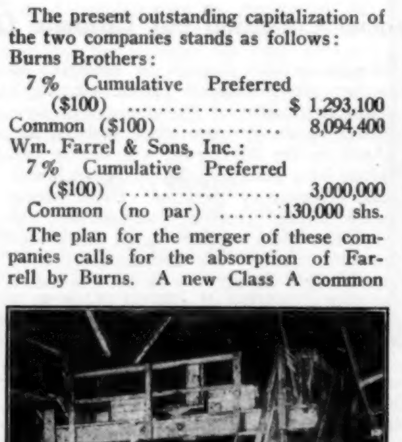
Plan Finally Worked Out

At last a plan of consolidation has been worked out and ratified by the respective boards of directors of the two companies and undoubtedly the necessary consent of the stockholders will be obtained in the near future. To holders of Farrell Coal the terms of the proposed merger may prove somewhat disappointing; to Burns Bros. stockholders the plan will probably be accepted with a certain amount of indifference. In any event, the possibility that a number of readers of THE MAGAZINE OF WALL STREET are interested in the situation justifies an analysis of the proposed merger.

The present outstanding capitalization of the two companies stands as follows:

Burns Brothers:	
7% Cumulative Preferred ($100)	$ 1,293,100
Common ($100)	8,094,400
Wm. Farrel & Sons, Inc.:	
7% Cumulative Preferred ($100)	3,000,000
Common (no par)	130,000 shs.

The plan for the merger of these companies calls for the absorption of Farrell by Burns. A new Class A common



stock is to be issued, share for share, for the present issue of approximately 81,000 shares of Burns Brothers common and 81,000 shares of new Class B common is to be exchanged for the present 130,000 shares of Farrell at the ratio of 8 to 13, i. e., 8 shares of new Class B stock will be given for each 13 shares of Farrell surrendered.

The new A stock is to be entitled to cumulative dividends of $8.00 per share before any disbursements may be made to the B stock but after the A stock has received $8.00 the two new classes of A and B stock shall share alike in the distribution of earnings above that percentage. The $1,293,100 Burns Bros. 7% preferred and the $3,000,000 Farrell 7% preferred are to remain the same in the new consolidation, except that the Burns issue is to be redeemed as rapidly as possible eventually leaving the Farrell issue the only outstanding preferred.

It is stated that the B shares will be able to pay dividends from the start at the rate of 50 cents quarterly, which will mean that the A stock will be paid at the rate of $10 per annum, the same as the current rate being paid on Burns Bros. common.

The effect of the consolidation is brought out in the accompanying table which shows the respective balance sheets as at March 31, 1921, and a consolidated statement, set up so as to bring out the working capital position and the equities behind the new stock. From this table it will be noted that net tangible assets (which excludes good will and other intangibles) amount to about $300 per share of the total preferred stock (Burns and Farrell) outstanding. After deducting this preferred stock at par, the balance remaining of $8,037,872 would be equal to close to $100 per share of Class A stock, thus indicating that the B stock represents nothing but Good Will or earning power or, as some choose to call it, "water."

Fairly Strong Working Capital Position

The new consolidation will be in a fairly strong working capital position with current assets of $11,275,065 against current liabilities of $5,043,622, indicating

a ratio of about 2¼ to 1. Cash and Liberty Bonds of over $2,300,000 show up well. Inventories of $1,885,468 are proportionately very low—a favorable factor that should dispel any apprehension concerning the possibility of the company's experiencing any sizable losses through a break in the price of coal.

Concerning earnings, the following summary of the results for the fiscal year ended March 31, 1921, is illuminating:

Sales	
Burns Brothers	$29,475,299
Farrell	19,520,962
Combined	$48,996,261
Net Income	
Burns	$1,762,788
Farrell	490,172
Combined	$2,252,960
Preferred Dividends	
Burns	$90,517
Farrell	210,000
Total	$300,517
Net after pfd. dividends	$1,952,443
Less $8 on Class A stock	648,000
Balance available for equal distribution to A & B stock (162,000 shares)	$1,304,443
Per share	$8.05

This is an excellent combined showing, indicating over $8 per share available for the A & B stocks, after deducting all preferred dividends and the preferential $8 dividend on the A stock. There is a question, however, as to whether these figures paint a true picture of what may be expected in the future.

For instance, the net earnings reported by Burns Bros. for the past fiscal year are the largest in that company's history, yet it must be recalled that during the war the operations of coal companies were curtailed to a considerable extent owing to the functioning of the Fuel Administrator, and the fiscal year of March 31, 1921, really represents the first full year for some time that the company has had complete control of its operations.

Farrell's showing is decidedly poor, and net income represents only a profit of 2.56% on sales, as against 5.97% for Burns. For the six months ended September 30, 1920, Farrell reported net income of $439,533, yet for the full year the net income amounted to only $490,172, indicating profits of only $50,639 for the second six months. No explanation has been made as to the reason for this falling off, but it is reasonably safe to assume that it was the result of some unusual contingency unlikely to recur under the consolidation. If Farrell earnings had continued throughout the fiscal year at the same rate as the first six months, the combined figures would have shown earnings available for the new B stock, and the A stock participating interest of $10.45 per share instead of $8.05.

Outlook Generally Favorable

On the whole, the outlook for the future of the new consolidation is favorable. The retail coal business is one which operates on a differential basis; that is, it buys its coal at the mines and adds the cost of shipment, delivery, selling expenses and an allowance for profit to arrive at the selling price. Anthracite coal is one of our prime necessities, and in a city like New York its consumption is bound to increase in proportion to the increase in population. It is one of the last articles of household consumption which the average person will attempt to cut off, and sales are little affected by periods of business depression.

The indicated turnover (inventory divided into sales), about 24 times for Burns and over 30 times for Farrell, is very rapid. The significance of this rapid turnover is that, on the average, a half month's sales would be sufficient to liquidate the inventory, thus eliminating the possibility of large inventory losses which at times threaten manufacturing companies that require several months to transform raw material into finished product.

The new combine will undoubtedly rank as the largest retail coal distributors in New York and, as such, will be in a position to meet any competition it may encounter from the smaller dealers. It is expected that the consolidation will make possible many economies and eliminate duplications, reducing operating expenses and correspondingly increasing the margin of profit. The general outlook for the new company is excellent.

Security Prospects

At the present time Burns Bros. common is selling at about 107, yielding 9.34% on the present dividend rate of $10 per annum. Burns Bros. Class B stock is selling on the curb on a "when issued" basis at about 30; this price it will be seen is in the proportion of 13 to 8 to Farrell Coal, which is selling at 18¾, or just 8/13ths of Burns B. At this present price of 30 for Burns B, the yield, providing the $2 dividend is instituted, is 6.67%. At first glance it would seem that this price is out of line with Burns A stock. Why should the A stock, which has priority as to an $8 dividend, sell to yield 9.34%, while the B stock is on a 6.67% basis? The answer is that a greater opportunity for profit exists in the B stock, should the company's earnings justify the payment of dividends in excess of those already contemplated, for the reason that more than 3½ shares of B stock can now be purchased for the cost of one A share. Assume, for example, that in another year the company found itself in a position to distribute participating dividends of $5 per share. If the two classes of stock should sell on an equal basis, say, to yield 10%, the A stock would sell at 130 on a $13 dividend ($8 plus $5), and the B stock at 50 on a $5 dividend. From present levels the A stock would then show a profit of 23 points, and the B stock a profit of 20 points; but as 3½ shares of B stock can now be bought for the cost of 1 A share, the aggregate profit on a certain sum invested in the B stock would be nearly 3½ times the profit on a similar amount of money invested in the A stock.

The new A stock is virtually an 8% participating non-cumulative 2nd preferred stock, and as a semi-investment with speculative possibilities it appears fairly attractive. At a price in excess of 30, the B stock is to some extent discounting future prosperity of the company. In the present market, 30 does not seem cheap for a stock carrying a $2 dividend. However, if a reaction should occur carrying the price below 25, the writer believes that commitments may be made with confidence for long-pull possibilities.

Burns Brothers—Wm. Farrell & Sons, Inc.

Balance Sheets as at March 31, 1921, and Consolidated Statement

	Burns	Farrell	Consolidated
Cash	$1,367,172	$769,344	$2,136,516
Liberty Bonds	165,013	......	165,013
Accounts and bills receivable	3,986,648	2,585,661	6,572,309
Notes receivable	31,530	22,652	54,182
Inventories	1,245,173	640,295	1,885,468
Miscellaneous	115,404	346,173	461,577
Current assets	$6,910,940	$4,364,125	$11,275,065
Notes and accounts payable	1,745,233	2,141,114	3,886,347
Reserve for taxes	745,000	45,000	790,000
Reserve for operating expenses	207,343	51,495	258,838
Accrued accounts	......	108,437	108,437
Current liabilities	$2,697,576	$2,346,046	$5,043,622
Net current assets (working capital)	4,213,364	2,018,079	6,231,443
Property account	3,302,148	2,979,424	6,281,572
Investments and other assets	315,129	168,207	483,336
Net current and fixed assets	$7,830,641	$5,165,710	$12,996,351
Less purchase money obligations	156,500	508,879	665,379
Net tangible assets	$7,674,141	$4,656,831	$12,330,972
Good will	4,957,133	6,000,000	10,957,133
Deferred charges	106,204	......	106,204
Total net assets	$12,737,478	$10,656,831	$23,394,309
Present capitalization:			
Preferred stock	1,293,100	3,000,000	......
Appropriated surplus for redemption of preferred	1,002,738	......	1,002,738
Balance for common	10,441,640	7,656,831	......
New Capitalization:			
Burns preferred	......	......	1,293,100
Farrell preferred	......	......	3,000,000
Class A common stock	......	......	8,100,000
Balance for Class B common (81,000 shares)	......	......	9,998,471
Total	$12,737,478	$10,656,831	$23,394,309

That 10% Return

Last May's Recommendations Revised to Meet New Conditions

By J. R. CRANDALL

IN the May 14th issue of THE MAGAZINE OF WALL STREET an article entitled, "Getting 10% On Your Money," suggested the purchase of eight preferred stocks whose aggregate yields amounted to over 10% on the total investment. It was clearly pointed out in the article that the suggestions were not to be considered as investment recommendations for those not in a position to sustain a loss or a dividend omission if such should occur. Furthermore it was stated that the eight stocks should be purchased collectively, rather than individually, so that if one or two of the dividends were omitted a fairly good yield would still be had.

Since the article appeared many changes have taken place. One of the dividends—Pierce Arrow—has been omitted and around another issue—Pierce Oil—some apprehension exists as to its continuance. On the other hand several of the issues have shown market appreciation. Under the circumstances, those readers who acted on the suggestions will probably be interested in a general review of the present position of the companies mentioned as well as a few additional suggestions with a view toward strengthening their investment or recouping some of the loss that has been sustained.

Table I gives the list as originally recommended compared with present prices. Outside the losses in Pierce Arrow and Pierce Oil the market changes in the other issues about offset each other.

Associated Dry Goods

This company's 6% cumulative 1st preferred stock is outstanding in amount of $13,818,700 and annual dividend requirements amount to $829,122. For 1920, even after charging off inventory depreciation, net earnings, amounted to $1,916,569; in 1919 $3,297,375 was earned. For the first quarter of 1921 the company reported that business had been normal but it has been admitted that earnings for the second quarter have not been as favorable as might have been desired. Nevertheless, the management has expressed confidence in the outlook for the balance of the year and with the holiday season approaching and a better feeling generally prevailing throughout the country the company should be able to show satisfactory earnings from now on.

It has been authoritatively stated that President S. W. Reyburn will recommend the declaration of all regular dividends to the directors at their meeting on October 5. (Favorable action since taken on all classes of stock.—Editor) As requirements on the 2nd preferred and common total $1,070,185 per annum the company could make considerable savings by the omission of these dividends should it find curtailment necessary.

The first preferred dividend seems perfectly safe unless general conditions throughout the country revert to a point considerably worse than they have been since the first of the year. This does not seem likely as most authorities are of the opinion that general conditions have turned the corner.

Hold this stock.

Consolidated Cigar

Consolidated Cigar 7% preferred is outstanding only in amount of $4,000,000. There is no funded debt and the preferred dividend amounts to only $280,000 per annum. For 1920 this preferred dividend was earned 5.30 times over. Early last Summer, when general conditions were at their worst, the company reported that it was operating at better than 75% of the peak production attained in 1920. Twenty-one of the larger factories were reported operating to fullest capacity and some of the smaller factories, which had been closed down, were said to be opening up.

The company manufactures "popular price" cigars, several of its best known brands being "El Sidelo," "44" and "Lovera." The common stock dividend has been omitted as a conservative measure but the preferred requirement is undoubtedly being covered.

Hold this stock.

Famous Players

The Arbuckle case has very likely had some psychological effect in depressing this company's stocks. Probably a better explanation for the declines is the complaint brought by the Federal Trade Commission charging the company with violation of the Sherman Anti-Trust Law. However, no particular apprehension should be felt from this score. In many cases where the Government wins its case under the Sherman Law and a company is ordered to disintegrate, advantages actually accrue to the stockholders; citing as illustrations Standard Oil, American Tobacco, Corn Products, etc.

Famous Players has recently given out a statement of earnings for the first six months of 1921. Net profit for the period amounted to $3,077,949, compared with $2,204,570 for the first half of 1920. Six months' requirements on the preferred stock amount to $386,000 and, according to the six months' earning statement, this charge was earned practically 8 times over. On June 24, Jesse L. Lasky, 1st Vice-President, announced that the company would cut down production cost 25%, the reduction to include the "abnormal and exorbitant" salaries. These reductions would tend to improve earnings for the second half of the year and it would not surprise the writer to see the company report a full year's net income, even in excess of 1922.

Don't sell Famous Players preferred.

Great Northern

Great Northern preferred at 75 shows a profit of 5 points over the price at which it was originally recommended. The dividend is not being earned, however, and the improvement that was looked for has not materialized. For the six months to July 31 operations resulted in a deficit of $538,012 before dividends, compared with income of $1,791,728 for the first six months of 1920. Furthermore, as amounts spent on maintenance of way and equipment were about $8,500,000 less than was spent in 1920, the deficit would have been considerably greater had the properties been maintained at the same rate as a year ago.

Great Northern *may* pull through the present crisis without reducing its dividend but it cannot keep on paying the dividend out of surplus indefinitely. A large element of uncertainty now surrounds this stock and as long as it can be disposed of at a profit my advice is to play safe by selling.

Buy instead General Motors 7% cumulative debenture stock.

General Motors

General Motors Corporation has three classes of preferred stock, the 7% debenture stock, 6% debenture stock and 6% preferred stock. The three classes are preferred "pari passu" (equally) both as to dividends and in the event of liquidation. The aggregate outstanding amount

Revised Program

THE ORIGINAL SUGGESTIONS.

	Price May 14/21	Price Oct. 1/21	Dividends	
Associated Dry Goods 1st pfd	63	67@70	$6	
Consolidated Cigar 7% pfd	66	68@70	7	
Famous Players-Lasky 8% pfd	88	79	8	
Great Northern 7% pfd	70	75	7	
Philadelphia Co. 6% pfd. ($50)	32	33	3	
Pierce Arrow 8% pfd	77	25	8	discont'd
Pierce Oil	60	44¾@56	8	
U. S. Cast I. Pipe & Fdy. 7% n. C. pfd	40	43½	5	
	$512	$435	$52	

Original yield—10.08%.

REVISED LIST.

Associated Dry Goods 1st pfd	$6
Consolidated Cigar 7% pfd	7
Famous Players Laskey 8% pfd	8
Philadelphia Co. 6% pfd. ($50)	3
Famous Players-Lasky 8% pfd	8
General Motors 7% Debenture	7
International Mercantile Marine 6% pfd	6
Invincible Oil Common (3 shares)	—
	$42

Present yield on original cost—8.25%.

of the three issues is $97,703,800 and they are followed by 20,563,294 shares of no par value common stock.

For 1920 net earnings amounted to $37,-750,375, the equivalent of 6.71 times preference dividend requirements. These net earnings, however, were after deducting $18,502,188 as a special write off of inventories and $7,500,000 as reserve for "unforeseen contingencies." If these items had not been deducted the net income for 1920 would have amounted to over $63,700,000 or more than 11 times preferred and debenture dividends.

According to the December 31, 1920 balance sheet, the preferred and debenture stocks had net tangible assets behind them of over $438 per share outstanding. The popularity of the company's three principal cars, Cadillac, Buick and Chevrolet, is well known to everyone and its large scale production places it in a position to favorably compete with any other automobile manufacturer, with the possible exception of Henry Ford. The Morgan and du Pont interests, which are now identified with the company, add strength and if it should be found necessary to conserve cash an omission of the present common dividend ($1 per share per annum) would amount to an annual saving of over $20,000,000.

At the present time the 7% debenture stock is selling at 72, yielding nearly 10%, which is decidedly cheap for a stock of this calibre.

Philadelphia Company

A recent statement has been made by this company that earnings for the first six months of 1921 indicated all dividends (preferred and common) to have been fully earned and a small surplus left over. Common stock is outstanding in amount of $42,943,000, par $50, on which dividends are being paid at the rate of 6% ($3) per annum. Preferred stocks are outstanding in amount of $1,442,450 5% non-cumulative and $14,531,150 6% cumulative, ranking equally.

Six months' dividend requirements on the common amount to $1,288,290 and on the two classes of preferred to $471,995. Thus, as the company has stated all dividends to have been fully earned the amount available for the preferred issues must be running at the rate of at least $1,760,-285 or about 3¾ times requirements. With the general improvements that are steadily coming about in the affairs of practically all public utility companies this preferred stock seems to be in absolutely no danger. Hold it.

Pierce Arrow

Everyone is familiar with the sad fate of the Pierce Arrow preferred dividend. The writer's recommendation of this preferred stock was made in the realization that the company's business had fallen off, but in the belief that the standing of the Pierce Arrow car and a favorable working capital position would be sufficient to carry the preferred stock through the readjustment period without suspension of dividends. His judgment was mainly at fault in not giving proper consideration to the truck department of the company's business. In the March quarter shipments of passenger cars was about equal to the 1920 average and while truck shipments were considerably below 1920 a better demand was reported in April. This demand proved short lived, however, and the net result of operations for the second quarter was a deficit of $1,400,550, compared with a deficit of $489,502 for the first quarter, a total deficit of $1,890,052 for the six months.

The trouble seems to be the difficulty in selling a high priced truck in a period of industrial depression when strict economies are the order of the day. Now that Pierce Arrow has made the break and discontinued preferred dividends the company will probably be slow to resume them, although it should eventually "come back." Even after the announcement of this dividend omission the preferred stock held above 50 for several days and holders might have immediately disposed of their stock. At the present time, however, this stock is selling around 25.

Without dividend the stock is just as much of a speculation as any common stock and a holder would improve his position by switching to a common issue having better speculative possibilities. Invincible Oil is suggested.

Invincible Oil

At its present price of about $8 per share three shares of Invincible could be purchased in place of each share of Pierce Arrow. A recovery, therefore, of 10 points in Invincible would make up a 30 point loss in Pierce Arrow. Invincible Oil has a capitalization of $6,701,684 funded debt and $21,512,500 capital stock of a par value of $50. The company owns in fee, either directly or through subsidiary companies, over 29,000 acres of oil producing property and controls by lease about 109,000 acres, located in Louisiana, Texas, Oklahoma, Alabama, Arkansas and Kentucky. In addition it owns two refineries having an aggregate daily capacity of 10,000 barrels, as well as over 160 miles of pipe lines, 811 tank cars, storage tanks, service stations, etc. The company is a complete cycle in the oil business, being a producer, refiner, transporter and distributer of petroleum products.

For the year ended December 31, 1920, the net income amounted to $6,187,525, the equivalent of over $14 per share of present outstanding capital stock. The balance sheet, dated December 31, 1920, showed net assets applicable to the stock of $30,447,245, the equivalent of $80.90 per share of $50 par value.

For the first quarter of 1921 earnings were negligible, although no loss was recorded. The company, however, is a well managed enterprise with good properties; and upon a return to normal conditions in the oil trade it should be able to operate on a satisfactory basis. Invincible Oil was incorporated in 1919 and in that year the stock ranged between 49½ and 30⅝; in 1920 between 47¼ and 19½; and in 1921 between 26 and 5¼.

The stock should be in line for a sizeable advance in the not far distant future.

Pierce Oil

Pierce Oil directors have not as yet taken action on the preferred dividend which fell due October 1. This does not definitely indicate that the dividend will be passed, but rather, on the contrary, shows that considerable efforts are being made to continue it. If the dividend was beyond hope directors would undoubtedly have taken adverse action at their regular September meeting and the mere fact that they have done nothing clearly shows that they are "working." The present market for the stock, *i. e.*, 44 5-8 bid, 56 asked likewise indicates a difference of opinion as to the ultimate outcome of this dividend. A definite announcement should be forthcoming, one way or the other, almost any day.

If the dividend is declared the writer's advice would be to hold the stock for a substantial rally. If the dividend is omitted he would sell at once and reinvest the proceeds in International Mercantile Marine preferred.

International Mercantile Marine

Two or three weeks ago, President P. A. S. Franklin made the announcement that the full 6% dividend was being earned on this preferred stock. This is certainly a remarkable achievement in the face of one of the most severe slumps in the history of the shipping industry. During the war and in the post-war boom, the company rolled up huge profits and a large share of them were retained in the business. The company today is well fortified with cash and is in a strong working capital position.

Some few years ago, Mercantile Marine was in a topheavy position having an excessive funded debt; but a re-organization in 1915 scaled this debt down to a point where it is not stifling the company. The preferred stock still has an accumulation of 42% in unpaid back dividends.

The present price of about 44 compares with a high of 111 last year and for a long pull the stock is attractive at current levels.

U. S. Cast Iron Pipe & Foundry

When U. S. Cast Iron Pipe and Foundry Company issued its annual report in March, 1921, President Lemoine stated that the general foundries and machine shops of the company were supplied with work for several months. In July it was reported that operations were averaging about 33% of capacity, but in August notices were sent to over 1,000 men to report for work at the re-opening of three of the company's mills which had been closed. These facts would seem to indicate that the company has about "turned the corner." Several wage reductions have also been made and more will probably follow in line with reductions in pay made in other branches of the steel trade.

The preferred stock is a non-cumulative issue but it is a custom of the directors to declare a full year's dividend in advance. One more quarterly disbursement of 1¼% is due December 15th on the current year's declaration of 5% and directors do not meet for consideration of 1922 disbursements until around January 27th of next year. Since the company's organization in 1899, there have been only two years in which no preferred dividends were paid, 1901 and 1915. The present 5% rate has been maintained since 1917 and with the improvement that has come about in the public utility companies, one of the company's largest groups of customers, there is good reason to look for a declaration of at least 3 or 4% even if the directors should decide not to continue the 5% rate.

At least for the present, hold this stock.

Answers to Inquiries

SUPERIOR STEEL

In an Improving Position

I would be pleased to have your statistical department send me a report on the Superior Steel Corporation listed on the New York market, and whose plant is located at Carnegie, Pa. Have they passed their dividends, and what rate have they been paying?

Superior Steel selling around 43 has been paying 75c quarterly, last payment being August 3, 1921. The dividend has been passed and undoubtedly the company has suffered in common with all other steel companies during the past 6 months. The earnings for last year were nearly $9 a share compared with $8 a share in the previous year. According to the annual report, the company is improving its plan to improve the quality and finish of its material in constructing a new mill which increases the capacity of its plant about 25%. The report states that the company is operating "on a very reduced basis." This company attained its highest volume of gross sales last year well above $12,000,000 and has been retiring some of its first and second preferred stock. It had nearly $2,000,000 in cash and its inventories showed a slight decrease over 1919. The company seems to be in a strong financial position and its stock looks like an attractive speculation among the steel issues for a rather long pull.

OKLAHOMA P. & R.

A Liberal Depreciation Allowance

I own 1,200 shares of Oklahoma P. & R., which averaged me almost $5 per share. Would you advise my disposing of this stock? Please forward what information you can on the subject and oblige.

Oklahoma Producing & Refining earned only 47c. a share last year, but this was arrived at after deducting from net earnings of $6,424,000, a total of $3,853,000 for depletion, etc., which was rather liberal to say the least. This left a net income of $2,297,629, out of which preferred and common dividends were paid, leaving a surplus of only $334,349. If the company had not charged off such heavy amount for depletion, etc., balance available for the common stock would have been much larger.

The president of the company stated in June that the earnings were not sufficient to warrant dividend payment, and that severe reductions in the value of mid-continent crude oil without proportionate declines in operating costs, partly reduced the earning basis.

However, crude oil is selling very low now and advances in effect lately which are likely to be carried further, we believe that this company can show a very good earning power under normal conditions. We would not suggest that you dispose of your stock with such a heavy loss, as we believe that this company has every chance of coming back eventually.

September 17, 1921.
The Magazine of Wall Street,
42 Broadway, New York City.

Gentlemen:—I thank you for the information regarding Chicago, Milwaukee & St. Paul Conv. Bonds. Your method of tabulating results seems very good and gives a lot of information in a small space.

Yours very truly,
H. W. S.

NATIONAL LEATHER

Its Status

Kindly give latest information you have on the National Leather Co.

The National Leather Co. is an offshoot of Swift & Co., and at the beginning of 1920 showed a profit and loss surplus of $4,203,283; at the end of the year this was converted into a deficit of $2,764,936, or an adverse change of $6,968,219. The company paid 8% dividends during the year on its $30,000,000 stock. The company's reserve fund of $2,250,000 has been drawn upon to the extent of $1,418,744. Due to its $10,000,000 5-year notes financing last year, the company improved its balance sheet position and at the end of the year had net working capital of $24,152,833, as compared with $24,083,385 on December 27, 1919. The tanneries are now operating at approximately 15% of normal capacity. In view of the fact that sales this year have been at a rate of 100% larger than the rate of the last 4 months of 1920, and that hide and skin prices are much lower even than pre-war prices, the company anticipates a return to better business this year. The stock now has some speculative possibilities at current low levels.

CHIC. CITY RY. 5s, 1927

Their Status

Kindly report on Chic. City Ry. 5s of which I hold a large block. If I desired to switch part, what would you recommend?

Chicago City Railway 1st 5s, 1927 are a first lien on the entire property of the company and in the event of the property being purchased by the city, the issue is limited, so that the amount outstanding

The Balance Sheet of a Trust Company

Weak Points

Please look over the attached statements and advise me if you would recommend a purchase of this stock at $160 per share. I now have 5 shares. This company is supposed to be one of the most progressive of the newer trust companies in Philadelphia and has been recommended to me by friends.

In your reply give me some of the things to look for in examining a Bank statement. For example, do you think they are perhaps paying out too much of the profits in dividends? Perhaps it would be sounder to increase the amounts held as undivided profits. The point is I do not know what factor of safety should be allowed.

We are returning herewith the balance sheet of the Aldine Trust Co. which you sent us for examination. If one should take the income statement for 1920 showing earnings of around $100,000 and dividends paid out more than half this amount, we would agree that the company's dividend policy is very liberal indeed. Very few trust companies pay so much dividends out of earnings. You will note that only 20% of the entire earnings were carried forward to undivided profits and in a year like 1920 one would suppose that a company of this kind would be extremely careful to conserve its earnings and resources especially after an increase of capitalization from $500,000 to $1,000,000. The company has apparently been very successful in the past and it may succeed in being able to maintain its very liberal dividend policy of 14% upon which basis the stock sells at 160 per share. But, it must be remember that this figure is equal to $320 for the old stock and it does not seem so very cheap when all the facts are taken into consideration. On the whole, we would not become too enthusiastic and would greatly prefer a stock like Standard Oil of New Jersey selling around 135 rather than the trust company's stock at 160.

shall not exceed the total amount, by which the price at which the property may be purchased by the city shall have increased over the agreed valuation of $21,000,000, by reason of construction, equipment extensions, etc. The bonds are a first mortgage on practically the entire surface railway system of the south side of Chicago and the average income available for the past five years, to meet the interest on the $33,928,000 of this issue outstanding, has been twice the amount needed for such payments. The security underlying the bond is ample and a fair market upon which to sell is at all times available. While the bond is not classed among the highest grade of mortgages its rating is good and it can be considered a good second-grade issue.

In preference to the switches you suggest, we would recommend that in the event of you selling your Chicago City Railway 5s that you invest the proceeds in Toledo, St. Louis & Western 4s of 1950, but would not pay more than 48 for this bond. There is room for a good advance in this issue and in the meantime the bond will yield about 8.3%. The road is making a very good showing.

GILT EDGE BONDS

None in the 8% Class

Please recommend some bonds yielding 8%. They must be sound, first class banking investment.—W. H. S.

In reply to your favor we beg to say that there are few, if any, domestic bonds that could be described as a "first class banking investment" on the market today that give a flat yield of 8%. In our Investment Business Service to which you subscribe, you will find a very carefully selected list of investment securities, and from this list we call your attention to the following as coming closest to your requirements:

Goodrich 7s, 1925—flat yield 7.8%.

'Frisco Adjustment 6s, 1955—flat yield 9.2%.

Hudson & Manhattan 5s, 1957—flat yield 7.7%.

Public Service of N. J. 5s, 1959—8.4%.

Anglo-American 7½s, 1929—flat yield 7.5%.

None of these can be called "giltedge," but they appear to be sound and suitable for the investment of a business man's funds.

COMMONWEALTH P. R. & L.

Outlook Improving

I personally hold 10 shares preferred at 52¾ and 20 shares common at 24¾ Commonwealth Power, Railway & Light Company stock. I notice by this morning's quotations that the preferred could be purchased at 30, and the common at 10. Would you think it good business to buy 20 shares preferred and 40 shares common at these prices to average my cost? Anything that you are able to give me by way of information will be greatly appreciated.—C. A. B.

Commonwealth Power, Railway & Light was the subject of an exhaustive analysis in the May 14, 1921, issue of our MAGAZINE, and if you have no file, we would be glad to send you an extra copy for 35c., postage prepaid. At that time the 6% cumulative preferred stock was selling around 32, and the common around 12, which is not materially different from the present level. The passing of the scrip dividend on the preferred was regarded as a constructive factor which will strengthen the financial condition of the company. The omission of the preferred scrip dividend was evidently discounted, and it should not be long before satisfactory reduction of floating indebtedness and good earnings ought to have an appreciable market effect on both the common and preferred stock. The management and financial backing of this corporation is of the highest calibre. The outlook gives promise of considerable improvement. The company used to earn from $6 to $8 a share on its common stock in the pre-war years and the company ought to do very much better from now on.

Gross earnings for the past year ended June 30, 1921, show a substantial gain over the corresponding period of 1920, net being about $5,241,000, as against $4,643,000, while surplus, after fixed charges, totaled $1,524,000, as compared with $1,207,000. We believe that it would be good business to average your holdings at these low prices.

CAUTION NEEDED BEFORE INVESTING

Why Choose New Concerns?

I wish to make a sound investment in common or preferred stock. Have saved $1,000 and the offering enclosed appeals to me. What do you think of it?—E. H. R.

We have no information beyond that contained in your letter regarding the Dressel Manufacturing Corporation, and would be glad if you would send us any circular literature you may have regarding it. From our experience of the outcome of stock offerings of companies of this kind, we would say that you would be better off to make an investment in some other listed stock, a preferred stock if you wish, some of which can now be secured to yield around 8%. For example, General Motors 7% Preferred, Worthington Pump Preferred A, and American Smelting Preferred are all much more attractive than the offerings of most new and younger companies can be, and you would certainly not be taking any great chance in purchasing the latter rather than the shares of the Dressel Manufacturing Corporation.

We will be glad to make a further search and get you some more information if you feel that you ought to have it before you to enable you to decide. If so, please send us any literature on the subject which you may happen to have.

We return your $1 herewith, as inquiries are free to subscribers to our MAGAZINE.

AM. TEL. CONV. 6s

Conversion Feature Explained

I own several bonds of the American Telegraph and Telephone Company 6s, which are due in the year 1925 and carry the convertible privilege at $106.

Do I understand correctly that these bonds are convertible into the common stock of this company at any figure above that stipulated. In other words, in case the stock reached $110, is it necessary for me to pay $4 extra with each $100 bond—F. A. R.

American Telephone 6s "convertible into stock at 106" means that the bonds would be accepted by the company at par, $1,000 plus $60 per $1,000 bond, to be paid by the holder, to receive ten shares of stock for each $1,000 bond. It would make no difference how high the stock went, either before or after conversion, as the bonds are really a "call" on the stock. When conversion takes place, the company would make an adjustment between the accrued interest on the bonds and the accrued dividend on the stock, so that the bond holder will be "deemed" a stock holder after the date of receipt of the bonds in possession of the company, and the former's request to convert.

The bond holder making the conversion would gain by this arrangement, as the dividend on the stock is $9, whereas the interest on the bond is $6. At present we strongly favor the stock around 106-107, as it is an investment that is decidedly too low even under present conditions.

NORTH AMERICAN

An Attractive Utility

Enclosed please find my check for $7.50, and send me your magazine for one year beginning with the next issue following September 17, 1921.

Although my subscription elapsed during the past year I still continued to purchase it at news stands. (I always found it up to date on financial matters.) In the last issue I was interested in the articles, "Possibilities in Reading Preferred" and "A Public Utility Opportunity." I have about $400 to invest at the present time and North American Co., appeals to me very much. I have some copper and Midvale Steel stock, but getting no dividends at present. Which would be the best to purchase, 10 shares of North American Co. common or preferred?—L. H. M., Pittsburgh, Pa.

North American Co. common and preferred is in a very sound position, the company showing an improving earning power in the last two years in particular. The company earned $3,000,000 last year against an average of about $2,400,000 in the three preceding years, its fixed charges are very small indeed, amounting to less than $100,000 for last year, and the company was able to disburse $1,489,665 in dividends. The profit and loss surplus has grown from a little over $3,000,000 in 1916 to very nearly $6,000,000 at the present time, which is a large growth considering the fact that the company is very modestly capitalized and has only a small funded debt. We believe the present dividend to be entirely safe and so far as preferred stock is concerned, this is a 6% cumulative issue of which a little under $15,000,000 is outstanding. The margin of safety is very wide and we are inclined to regard this as a good investment.

Both common and preferred have a par value of $50, the dividend is now 6% or $3, against 5% formerly for the common.

LIGGETT INTERNATIONAL

Truly International in Scope

I wrote you a few days ago asking you to tell me if I should hold or sell five shares of Liggetts International Ltd. pfd. bought at par.—P. R. W., Medford, Mass.

The last report, which is also the first report published regarding the operations of Liggett International shows a net profit of around $2,000,000 for the last fiscal year but the business of Boots Pure Drugs is included for only nine months. This is at the rate of $14.65 a share of the class A and B common stock which follows the preferred that you hold. If we calculate upon a whole year basis this is at the rate of $19 a share annually. The company is a vast merchandising proposition along chain store lines, operating 642 retail drug stores in Great Britain (Boots Cash Chemists), and 1,144 agencies known (Rexall), 39 drug stores in Canada (Liggetts) and 630 agencies (Rexall). The company reports combined sales at the rate

(*Continued on page* 870)

Railroads

August Rail Earnings Best of the Year

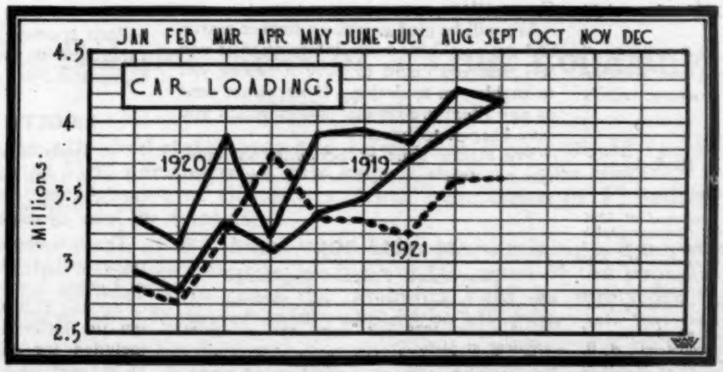
Large Increase in Net—Early Grain Movement Helps Northwestern Roads—Southwestern Roads Show Big Improvement

WITH but very few exceptions the Class I roads reported larger gross earnings and considerably higher net. Net operating income, as reported for 178 roads, amounted to $85,653,000, and it is estimated that the full returns for 203 Class I roads will bring the net for the month up to $90,000,000. This compares with $69,485,000 for the previous month, the best previous month of the year, and is at the annual rate of 5% on the invested capital.

Carloadings and Maintenance

The improvement in August car loadings indicated the heavier freight movement and increased business activity throughout the country. This was, of course, the most encouraging factor in the entire situation. It must be understood, however, that this is almost entirely seasonal and does not necessarily mean that the real turn has come.

The rail situation is not nearly as glowing as the increased earnings would seem to indicate and monthly earning reports must be taken with a grain of salt. It has been pointed out in these columns before that maintenance charges are considerably below normal on almost all of the roads. Generally speaking those roads which have been reporting the largest net have been making the smallest maintenance charges. Now, it is quite obvious that the policy of reporting large earnings at the expense of property cannot continue for long, and it is quite likely that, even should the volume of traffic continue to improve for the rest of the year, the net results will probably not keep pace with the increased gross and might even be expected to fall below the level of the last two months, for this deferred maintenance will have to be made up.



Adequate maintenance charges should begin to be made in September, and it would not be at all surprising to see no further improvement in net operating revenue for the rest of the year. This brings us around to the question of what is needed to put the railroads actually on their feet again.

What the Roads Need

Lower rates and lower wages mean better business. It is the old cry all over again, but we cannot get away from the fact that it is the only real solution of the problem. **There isn't any doubt but that the high freight rates at a time when industries and agricultural products are at pre-war levels make it impossible to ship these commodities at a profit and business that might be had were the balance between commodity prices and freight rates equal is lost.**

CLASS I ROADS.
(000 omitted)

	Net oper. income	Month's normal earnings to give a 6% return
January	D$958	$67,272
February	D7,378	56,599
March	30,695	81,089
April	29,249	80,487
May	37,080	92,726
June	52,485	99,073
July	69,485	98,267
*August	90,000	105,000

*Preliminary figure.

A very striking example of this condition is given in this month's bulletin of a large New York bank. It reprints a letter received from the secretary of the South Dakota Farm Bureau Federation on the effect of freight rates on farm products grown in that state. He says in part: "Feed barley . . . brings 42 cents on the Minneapolis market, and the freight rate is . . . 22½ cents per hundred, or about 11 cents per bushel; in other words, more than 25% of the selling price of the product in the terminal market and nearly 50% of the return that the farmer receives. Oats are bringing at small towns around this locality, 15 cents per bushel. It costs 8 cents per bushel to ship them. The conditions with regard to corn are very much similar. . . . There is little question but that a continuation of present conditions means that 25% to 30% of farmers in all these states of the West, even in centrally located states like Iowa and Illinois, must go out of business next year. . . . Freight rates at present are damming up the natural interchange of these products to such an extent that there will be this year very serious shortages in sections not greatly distant from large oversupplies."

The need for lower rates to stimulate trade is self-evident, but the railroads cannot lower rates and thrive unless wages are further reduced. Labor is still undecided as to whether it should accept the July cut, and railroad officials are now contemplating another reduction. Business interests throughout the country are clamoring for lower freight rates.

The railroads are between the devil and the deep blue sea, and until the question of rates and wages is met squarely and a show down called the roads will be able to do little better than just manage to exist.

Eastern Roads

Delaware & Hudson and Delaware, Lackawanna & Western both reported increases in gross and net. Earnings for the eight months are at the annual rate of $6,000,000 and $12,700,000 respectively, compared with a standard return of $7,409,600 and $15,749,000 respectively.

Erie reported a gain of $1,100,000 in gross from the previous month and net operating income of $845,302, compared with a deficit of $27,315 in July. Earnings for the eight months were at the annual rate of $1,800,000, compared with a government guarantee of $15,841,263.

New York Central and **Pennsylvania** both reported substantial improvements in gross and net over the previous month. Earnings for the eight months

were at the annual rate of $43,700,000 and $36,500,000 respectively.

Coal Carriers

This is the time of the year for heavy coal movement and the gross earnings of all the coal carriers reflected the increased traffic carried.

Baltimore & Ohio made the best showing of any of the roads, its gross increasing from $16,537,773 in July to $17,933,438 in August, and net operating revenue from $2,026,781 to $2,558,415.

Chesapeake & Ohio was the only road whose gross was lower than the previous month. It is hard to account for the falling off on this road. Gross declined about $900,000, but net was only off $200,000.

Both **Lehigh Valley** and **Norfolk & Western** reported slight increases in gross, but smaller net earnings.

Southern Lines

Atlantic Coast Line's showing was very disappointing. It was expected that the improvement in the South and the higher prices for cotton would be reflected in better earnings for all the southern lines. Atlantic Coast Line's gross, however, was off about $300,000 from the previous month and the road again reported a deficit of $215,000 before rentals. Earnings for the eight months were at the annual rate of $3,860,000, compared with a rental of $10,180,915.

Louisville & Nashville on the other hand reported an increase in gross of about $600,000 and an increase in net of about $400,000 over the previous month.

Southern Railway recorded the best showing of any of the roads in the South. Gross earnings increased from $10,387,467 in July to $11,122,010 in August, and net operating revenue from $1,163,008 to $1,682,276. Earnings for the eight months were at the annual rate of $8,000,000, compared with a standard return of $18,660,883.

Southwestern Roads

Without exception all the roads in the southwestern group reported substantial increases in gross and net. There was a very material increase in the volume of traffic carried by these roads.

The showing made by **Rock Island, Missouri Pacific** and **St. Louis-San Francisco** was exceptionally good. In the order named, gross increased $1,100,000, $1,700,000 and $900,000, and net increased $800,000, $1,600,000 and $600,000. Earnings of Rock Island are now at an annual rate sufficient to show a good balance for the common stock; Frisco's earnings have been running that way for the entire year. Missouri Pacific is still considerably behind the other southwestern roads.

Both **Kansas City Southern** and **St. Louis Southwestern** are earning something on the common stock. In the case of Frisco and Kansas City Southern it is interesting to note that the maintenance ratios for the first seven months of this year were only 29.9 and 29.5% respectively, or considerably below normal maintenance requirements.

Western Carriers

The Northwestern roads, comprising St. Paul, Great Northern, Northern Pacific and Chicago & Northwestern made big gains over their previous showings. This was of course to be expected when the grain movement set in, and how badly it was needed can readily be seen by a glimpse of previous month's earnings.

Chicago & Northwestern made the best showing of any of these roads, gross increasing $2,100,000 and net $1,700,000. The other roads made substantial gains in gross and net but nothing to compare with this.

The good showing made by **Colorado & Southern** and **Illinois Central** in previous months was maintained in August.

North Central Roads

Pere Marquette, Nickel Plate and **Wabash** reported substantial gains in gross and net for the month of August. Wabash made the best showing of the three, comparatively speaking, and should be able to earn the dividend on the preferred A stock in full for the year.

Transcontinental Lines

Atchison's showing for the month of August was nothing short of wonderful. The road reported an increase of $3,300,000 in gross or over 17% above the previous month, and net operating income increased from $7,476,000 to $9,808,000. This is by far the best August Atchison has had in years.

Southern Pacific and **Union Pacific** also made substantial gains. In the case of the former road it is now earning at annual rate sufficient to cover its 6% dividend on the common stock, and the latter road very close to its 10% dividend.

ANALYSIS OF RAILROAD EARNINGS FOR FIRST 8 MONTHS OF 1921

The following table is compiled on the assumption that the first eight months represent 62.1% of the traffic year, as they did in the test period:

Road	Net Oper. Def.	% Charges Earned	$ Per Sh. on Pfd.	$ Per Sh. on Com.
Atchison	......	....	....	$17.85
Atlantic Coast Line	......	....	....	1.50
Baltimore & Ohio	......	100%	....	....
Canadian Pacific	......	....	....	9.55
Chesapeake & Ohio	......	....	....	6.70
Chicago & E. Ill.	......	31	....	....
Chicago Great Western	......	91	....	....
Chicago, Mil. & St. Paul	......	1	....	....
Chicago North Western	......	38	....	....
Chicago, R. I. & Pacific	......	....	....	1.75
Cleve., Cin., Chic. & St. L.	......	....	2.00	....
Colorado & Southern	......	....	....	9.00
Delaware & Hudson	......	....	....	12.00
Delaware, Lack. & Western	......	....	....	(a) 11.00
Erie	......	17	....	....
Great Northern	......	31	....	....
Illinois Central	......	....	....	13.25
Kansas City So.	......	....	....	6.00
Lake Erie & Western	$191,421	....	....	....
Lehigh Valley	......	28	....	....
Louisville & Nashville	487,755	....	....	....
Minneapolis & St. Louis	681,071	....	....	....
Missouri Pacific	......	80	....	....
New York Central	......	....	....	3.80
N. Y., Chicago & St. Louis	......	....	....	(b) 9.30
N. Y., New Haven & Hartford	3,687,670	....	....	....
N. Y., Ontario & Western	......	....	....	.90
Norfolk & Western	......	....	....	5.25
Northern Pacific	......	33	....	....
Pennsylvania	......	....	....	.25
Pere Marquette	......	....	....	2.95
St. Louis, San Francisco	......	....	....	6.65
St. Louis Southwestern	......	....	....	.05
*Seaboard Air Line	......	19	....	....
Southern Pacific	......	....	....	(c) 6.25
Southern Railway	......	60	....	....
Texas & Pacific	......	....	....	.50
Union Pacific	......	....	....	9.00
Wabash	......	81	....	....
Western Maryland	......	....	(f) 3.00	....
Western Pacific	......	80	....	....
Wheeling & Lake Erie	......	....	(e) 4.00	....

*Earnings are on the seven month basis.

(a) $50 par value. (b) After 5% on the common stock, all classes of stock share equally. (c) Without oil income and after capital adjustments. (d) Including Denver & Rio Grande and after proposed adjustments. (e) On the 7% prior preference stock. (f) On the 4% 2nd preferred stock.

Courtesy National City Co.

Building Your Future Income

Your First Investment

YOUR first investment may be one of the most important actions of your life. It may start you on the road to Financial Independence, and thus insure a decent bank account and a decent income for your old-age. Or it may be so badly selected as to deprive you of your present surplus, warp your future judgment and mar the likelihood of your ever knowing the comfort and contentment of adequate personal resources against old-age and waning earning power.

Reasons enough for waiting—not merely hesitating—before you make that first investment. Waiting, studying, watching and thinking, until you are convinced in your own mind that you are capable of taking the step.

Don't imagine for a moment that the studying will be easy, or that the watching need only be intermittent, or the thinking only perfunctory. Investing is a science, mixed no more with luck than the string on Franklin's kite. The daily action of securities—the thing you must watch—may be the key to success or failure. The thinking you will have to do must be original, and must have depth.

There was a man who sneered at words of caution of this sort. He had never invested money before. But he "had a friend" and that friend was "the best a man could have," and he had told our man to buy a certain security "because there was a big development on the way that will put it up 50 points. Why, man, there's a fortune in it!" You know the rest. This particular man was but one in thousands. Why repeat the story?

And, above all, why repeat the experience? You are a man of brains, education and attainment. (We know that because you have accumulated a surplus.) You have the pre-requisites of a successful investor. You can look forward to old-age with confidence and courage. All you need more is a RIGHT START.

Make that start right!

What Shall He Do With It?

The Problem of a Man with Money to Invest

THE letter which follows, and the reply to it, is published here in the belief that it may contain some general interest to our readers.

Editor, THE MAGAZINE OF WALL STREET.

Sir—"I have received two sample copies of your magazine and it seems that I have at last found the guiding hand to place me on a definite system of investing and speculating. I am remitting under separate letter subscription for one year and in this letter I am taking the liberty of unfolding my past investment experience and respectfully ask that you assist me in my future investments.

"For the past two or three years I have had from $2,000 to $3,000 each year to invest in some form or another, and as the partial payment system of purchasing securities seemed the most appropriate for my income I have been purchasing stocks under this plan until I have accumulated quite a wide range of holdings. My mistake was, in entering the market at the peak in 1919-1920 under the guidance of an investment banker who was not as far seeing, and more speculative than a person of my income should follow. I have followed his advice and so I have accumulated a wide range of stocks which I think will all "come back" in the long pull but today I would cash in at a loss on all except American Car and Foundry and American Telephone & Telegraph.

"For your information to assist me I submit the following list and respectfully ask that you analyze them for me: American Telephone & Telegraph, American Car & Foundry, U. S. Steel, U. S. Rubber, Pure Oil, Cosden, General Motors, Stewart Warner, American Chicle, Midvale Steel, Inspiration Copper, Penn Railroad and American Beet Sugar, all common stocks.

"I will leave it to the 'long pull' on the above stocks, if you think best. From all the financial news I am able to gather it seems that the present is a good time to purchase stocks for good profits provided one uses sound judgment in the selection of the most seasonable stocks.

"I want you to advise me as to the future course for me to follow with an investment of $2,500 per year, and give me the name of a reliable broker that would care to handle as small amount of business as mine. Of course you understand that my investments are from my salary and I can have about $200 per month for investment.

"Would you suggest the use of statistical bulletins for investments of this amount?

"I have unfolded my investment problem to you, I will thank you to guide me safely through this crisis.—H. C. C."

We thank you very much for your kind appreciation of our work and we hope you will continue to feel that we can be helpful to you in your investment future.

We do not know your age or present financial situation, but you should be able to attain "financial independence at 50" if you are not too near that age now. Have you read the book?

We will answer your last question first because it is the most important. The first point that occurs to us is that unless you choose a very reliable broker you stand the risk of going to the trouble of selecting good investments, but a poor broker might fail, and then cause you to lose your money. Why not try to accumulate the stocks you desire through a bank in your city? With a surplus of $2,000 to $3,000 each year any banker ought to be ready to talk business with you. If you buy investment stocks and prepare to pay them off out of your earnings, and in addition purchase only listed, active, good securities, this is good business for the bank and good business for you.

> **LOOK OVER YOUR HOLDINGS!**
>
> ***Now is the time to look over your security holdings to determine what the stocks and bonds are worth, what the status of the issuing corporations is today and what their prospects are.***
>
> ***More losses have resulted from failure to make frequent analyses of stocks held than from any other reason. It is history that a certain group of stockholders in a very large railroad corporation never gave a thought to their holdings until they had slumped from $250 a share to well below par; and that if they had done this thinking, their ultimate losses might have been far less severe.***

You mention some good ones in your list but we are compelled to exclude every one except the stronger investment and semi-investment issues like American Telephone & Telegraph, American Car & Foundry, U. S. Steel (somewhat speculative), Pure Oil and Cosden. The two latter are not exactly in the investment class, but they are near enough and high up in the list of speculative issues. General Motors may prove profitable for a rather long pull of a year or two. We do not feel justified in confidently recommending that you purchase the other stocks mentioned in your list, although we figure that American Beet Sugar is very cheap as a speculation.

Among the copper issues, we favor Anaconda and American Smelting and among the steel issues Bethlehem Steel B. Among the railroads, we prefer Western Pacific pfd. to Pennsylvania or Lehigh Valley around 54, if you are looking for a medium price stock, but for investment, we strongly favor Southern Pacific, Illinois Central and Union Pacific.

You are correct in your belief that the present is a good time to purchase provided one uses good judgment and we believe that you could not make any mistake concerning your investments throughout the list mentioned.

Knowing how much cash you have to commence your investment, would say that you should provide not less than 25 points to commence with, which means that to purchase 100 shares you would have to start with $2,500 getting your bank to pay the rest and allow you to pay the balance (75 points) monthly.

If you cannot arrange this matter through your bank, we suggest that you consult with * * * or * * * both firms members of the New York Stock Exchange and well qualified to handle the business.

We cannot emphasize too emphatically the importance of placing the bulk of your investment surplus in sound bonds, selecting from among the high grade and middle grade on a fifty-fifty basis. For this purpose, and to qualify yourself to become an investor fit to take charge of your investment of from $2,000 to $3,000 annually. Apparently you are not yet ready to make a large investment in bonds, and if we judge your situation correctly you are more concerned about protecting and paying off the value of current purchases in common stocks.

However, the time will soon come when you will have to give this side of your investment situation serious thought, and you cannot do better than perfect your education along proper lines by making an intimate study of our "Bond Buyers' Guide" which represents the impartial but deliberate views of our bond specialists on the rating and strength of most active bonds that are listed on the N. Y. Stock Exchange. By spending time on such a study you will arrive at the point when you will clearly appreciate the difference between U. S. Steel sinking fund 5s and Interboro Rapid Transit 5s. If, on thinking the matter over you feel able to make an immediate investment in bonds, whether to purchase outright at once, or acquire them on the partial payment system through banks or brokers, you cannot do better than choose some of the $500 denomination bonds listed in the "Guide." We would suggest either gilt-edge or high-grade to commence with.

The Young Man Builds An Estate

How He May Build Well

By FLORENCE PROVOST CLARENDON

THE builder of an estate should bear in mind throughout his work the Scriptural reference to the man who "built a house, and digged deep, *and laid the foundation on a rock.*" Guaranteed security is the rock on which the youthful investor should build. While his business career is still young he should consistently keep before him the necessity of planning wisely and well for the future maintenance of himself and his dependents.

To this end the building of an estate should be conducted along safe and conservative lines, with the view of setting aside provision for dependents in the event of the breadwinner's death, whether he be called to The Great Beyond in early manhood or after he has lived to a ripe old age. Provision should also be made for the investor's old age, when his earning power has waned or ceased.

The Real Benefit of Wealth

It has been said that the only real benefit that comes from wealth—the only essential difference it makes between man and man—is the knowledge it gives to its possessor that he can adequately provide for not only the present but also for the future. It gives "the glorious privilege of being independent." The absence of this comforting sense of security explains in great measure the avidity of the poor man to make and to save money. The possession of wealth does not insure happiness, but it undoubtedly helps in great measure towards freeing sorrow from the sordidness of poverty and want.

The accumulation of a large estate is not necessary, however, to furnish provision for the family of the average man on the street. Comparatively few are reared in luxury, and many things that are considered essential to the comfort of the very rich are not missed by the family brought up in modest surroundings. Adequate provision implies that a home, nourishing food, and proper clothes are obtainable, with an opportunity for a good education. The young student in such a family group who desires higher education will find that with a little self-denial and healthful toil he can "work his way through" to the desired goal.

The practical and thrifty young man who desires to build an estate to provide for his family's needs in event of his death, as well as to yield an income in his own old age, may lay at once the foundation of his building, if he is willing to stimulate his good intentions by safe and systematic investment.

Creating a $10,000 Estate

A young married man between the ages of twenty-five and twenty-eight may at a relatively low cost immediately create an estate of $10,000 which will provide a modest income for his family in event of his untimely death. This protection may be secured through investment in a life insurance policy on the 30 Payment Life plan, which would cost at the suggested ages approximately $250 a year—necessitating a saving of but practically twenty dollars a month. This cost of $250 a year is quite apart from the annual dividends which would be payable to the investor under such insurance. These dividends could be used to reduce the annual cost or they could be left to accumulate at interest and increase the estate. They could either be withdrawn by the insured himself during his lifetime, or paid with the sum insured when a claim is made by his estate. If left to accumulate they are always available.

Assuming that the young man who is building this estate has an income of about $3,500 a year at the time he makes his initial investment in a $10,000 policy, there is a normal likelihood that within the next five years his income will have increased by $2,000 or more. With a wife and one or more children, it is his duty to continue the building of his estate, and he should therefore increase his insurance with his growing income by an additional policy of not less than $5,000. If this added investment were in the form of a 25 Payment Life policy it would cost at his increased age (say from thirty to thirty-four years) about $150 a year, and his estate would grow to $15,000. This amount would yield an income sufficient to provide a modest home for his family in event of his death, and with average pluck and initiative they would find some way for additional maintenance.

> ***"The practical and thrifty young man who desires to build an estate to provide for his family's needs in event of his death, as well as to yield an income in his own old age, may lay at once the foundation of his building if he is willing to stimulate his good intentions by safe and systematic investment."***

Why the Payment Plan?

Life insurance on the 25 and 30 Payment Life plan is suggested for a young man who is thus creating an estate because while more moderate in cost than the better known "20 Payment Policy," the premium period would be completed when the insured is under sixty years of age—a time of life when continued payment for insurance protection may become burdensome. The appeal of an old age free from such responsibility is strong to a young man, and policies on the 25, 30 and 35 Payment Life plan are moderate in cost, yet if taken at young ages are paid up while the average man is still in working vigor. For example, at age 25 the difference in cost between an Ordinary Life policy and one with premiums limited to 35 years is only $2.47 a year for each $1,000 of insurance, yet the 35 Payment Policy is free from premium payments after age 60 and it earns larger dividends meantime.

It is probable that the income of the average man who is endowed with ability and business acumen will steadily increase as he approaches forty years of age. The man who is on a salary will have proven his worth by that time; if in business for himself his affairs in early middle life would normally be on an established basis and yielding a good return. If, therefore, the builder of an estate increases his investment in life insurance at age forty by an additional policy of, say, $10,000 written on the 20 Payment Life plan (with premiums paid up on attaining age sixty) and yet another policy when he is forty-five for $15,000, he will have built up while still comparatively young an estate which will yield to his beneficiaries an income sufficient to provide necessities and some luxuries during the remainder of life. If the annual dividends paid are allowed to accumulate at interest to be paid with the face amount of the policies when a claim is made, a comfortable addition will be made to the annual income from this source.

Insurance Taken at 45

The insurance taken at age 45 and subsequently might well be placed on the plan known as "Endowment at Sixty-five" under which the proceeds of the policy are payable to the insured should he live to age sixty-five. This would provide for the builder of the estate, in addition to family protection, a modest old age income for himself at a period of life when surety of this kind is most welcome. Continued protection for the family *after the investor is sixty-five years old* would be assured through the policies taken in earlier years. If he proves one of the fortunate who enjoy a hale and hearty old age, his family will in the meantime be achieving their own independence.

In order that the estate so wisely and conservatively built shall not be dissipated by the investor's beneficiaries after his death through mismanagement or ill advised investment, it is preferable that the insured elect to have but $5,000 of his estate paid in cash to his heirs at death, for the payment of sickness and funeral expenses, and the

maintenance of the family during the first year following the loss of the breadwinner. When applying for the remainder of his insurance, the investor should direct that the proceeds be held by the company in accordance with the option provisions in his policies, and paid to his beneficiary in installments over such period as he considers most desirable—for ten years, for twenty years, or throughout the life of wife, daughter, or other relative named in his policies. By such arrangement a woman inexperienced in financial matters and unused to the control of large sums of money would not be called upon to seek investment for the funds left to her. Her interests would be safeguarded and no responsibility of the estate would be required of her other than receiving and depositing the monthly, quarterly, or annual income check mailed to her by the insurance company in which the fund has been created.

Avoiding "Market Fluctuations"

An estate built on the above lines has many advantages. Its value does not fluctuate with "market" conditions; it does not require the appointment of executor or administrator to settle it; there is no expense whatever to the beneficiary; it is payable to the family *immediately* upon receipt and approval of the claim papers—often within a day after the death of the insured; while, under present tax rulings, $40,000 of such an estate, if payable to a named beneficiary *is absolutely free from any and all Federal inheritance tax.* It is a systematic, conservative mode of investment; and, irrespective of financial conditions at the time of its payment, the full guaranteed amount is assured to its inheritors. The man who builds this estate has "digged deep, and laid the foundation on a rock." The value of such an estate appeals equally to the man of moderate income and to the multi-millionaire. A clause in the will of a man of great wealth who died recently advised that his heirs invest a portion of their inheritance in life insurance, because, as the testator added, "this would insure ample protection for dependents in event that the bulk of the estate depreciated through any cause."

An estate of this character has additional safeguards which add to its interest and value. If desired, the investor may further protect himself and his family by means of the Disability Benefit. This provides that in event of the total and permanent disability of the insured, all further premium cost will be waived, and the insured himself will be entitled to receive, so long as such disablement continues, a monthly income of one per cent of the face amount of the policy. The sum insured, however, would still be payable in full to his beneficiary in event of his death, and the insured would continue to receive during his disability the usual annual dividends, and to have the option of loan and surrender values under his insurance in the same manner as if he had continued paying premiums. In this way the investor practically *insures his estate.* Companies differ in the amount of insurance to which they will extend this benefit, some limiting the amount to a disability income of $100 a month, others being willing to offer a still larger benefit in the event of total and permanent disability. The extra cost for this benefit is slight; in the policies referred to the additional premium would average about $2 for each $1,000 of insurance.

When Destiny Points

To the prudent man of moderate means who lives within his income and consistently endeavors to increase his estate, the thought of untimely death may bring a feeling of sadness, but not the harassing uneasiness which is caused by the contemplation of an illness from the effects of which he may linger on for years, totally incapacitated and unable to conduct his business affairs. In such cases the deep boon of the Disability Benefit is strongly emphasized, for it enables the man who has built an estate along conservative lines by regular and systematic saving to keep it intact despite the fact that through his inability to follow a gainful occupation he is unable to increase his investments. Tuberculosis, insanity, paralysis, cancer, accidents which horribly maim but do not kill—all these are found in many cases to lead to total disablement when a man is still young or in the prime of life, and no one can tell to whom Destiny will point with fateful finger saying "This is the man!"

> ***"The advantage of beginning to build such an estate in early manhood lies in the smaller investment necessary at young ages for premium payments, the desirability of forming in youth the habit of systematic and regular saving, and the fact that as the investor is then in the most vigorous period of life he stands an excellent chance of passing the necessary physical examination required by the insurance company prior to acceptance of his application."***

There is yet another benefit in this investment which is of added value to the builder of an estate. The uncertainty of life is so palpable that we fail to comment upon it unless we are shocked into awakened recognition through some tragedy of sudden death. An accident due to reckless automobile driving, a derailed train, a wave-washed canoe—and death comes quickly and unexpectedly to one who, in perfect health, had looked forward to a long and useful life. Thus a man may be unable to complete his work when only the foundation, or but one story, of his estate is laid. Life insurance will compensate for this loss through the Accidental Death Benefit, for a policy may be written whereby, in the event of the insured dying as the result of an accident, *double the face amount of the policy* will be paid to his beneficiary. For instance, in event of accidental death in the case of a man insured under a policy for $10,000 containing this clause, his beneficiary would receive double that amount, or $20,000. These additional safeguards form a stronghold of protection against life's unexpected vicissitudes.

Advantages of Building an Estate

The advantage of beginning to build such an estate in early manhood lies in the smaller investment necessary at young ages for premium payments, the desirability of forming in youth the habit of systematic and regular saving, and the fact that as the investor is then in the most vigorous period of life he stands an excellent chance of passing the necessary physical examination required by the insurance company prior to acceptance of his application. Human nature is weak and good resolutions alone will not build an estate. Even if considerable savings have been set aside with painstaking regularity, the temptation of a speculative investment may dissipate the self-sacrifice of years if the savings can be easily diverted to a "get-rich-quick" plan. But once a man has created an estate through increasing investment in life insurance which guarantees protection for his family and an old age income for himself he will not easily be persuaded to give up that quiet contentment which comes to him who builds his house upon a rock.

Can Women Invest

If any group of investors or operators in the market were to be investigated it would be found that only those who, regardless of sex, had made a special study of all conditions had succeeded *ultimately.* It is well known that all those who enter the investment arena with large expectations usually retire disappointed, and *per contra*, those whose expectations are moderate but backed by extensive study and investigation in any particular branch of the investment field, are usually successful in that field.

The men who make themselves masters of their subject, who are 'Specialists in Something' are nearly always more successful, and invariably better off than the 'Jack-of-all-Trades' who cannot succeed at anything.

If a greater number of successful men exist in the investment field this is due to the larger number in it. The percentage of failures is, for the same reason, far higher.

The classic instances of Mrs. Hetty Green as an investor, or Miss Ida M. Tarbell as an economist, stand out in a striking way as demonstrating what can be done, and illustrating the large unfilled field that awaits development.

Luck

Another Intimate Chat with New Investors

By **G. S. GHASTIN**

AWAY back in 1822, an industrious citizen of New York by the name of Thomas Williams was seized by the spirit of prophecy or stung by the germ of speculation, and decided to emulate the parable of the talents.

He had a little loose change cluttering around, and with it he bought sixty-seven shares of stock in the old Mechanics Bank. There were no safety deposit vaults or boxes in those days, so after coming into possession of the certificate, the problem presented itself of finding a place to put it where thieves could not break in and steal or moths and rust corrupt. Eventually he decided, with a fine contempt for the literary tastes of his immediate family, to make an old copy of Spencer's "Faerie Queene" the repository for the shares, and folding the paper carefully, he placed it between the leaves.

Not long after that he died. The hiding place had not been revealed for some reason best known to himself, and consequently the administrator of his estate overlooked this portion when he divided up the property. For a century the certificate lay in the musty and fast yellowing pages of the old book, until one day not long ago, a genealogist, delving into the dusty archives of the past, discovered it in the home of a Troy physician. Recognizing the value of the find, the tracer of lost pedigrees discarded, temporarily, the family tree he was then scaling and started out on a still hunt for the existing heirs of Thomas Williams. As a result, Alfred W. Seymour, a small restaurant owner of Seattle, the only lineal descendant of the original purchaser alive today, is industriously suing the Mechanics and Metals National Bank of New York City for the tidy sum of $500,000—the hundred-year accumulation of dividends and additional market appreciation of the principal.

A tale of this kind brings up the question in our minds, "How far do men owe their success in life to their own merits, and how far to favorable circumstances, or luck?" Certainly Williams did not plant that little seed for the express benefit of a generation then unborn. Seymour was an unknown quantity in the life of Williams; and even if his advent into this world could have been anticipated by the old speculator, Seymour himself was unaware of it and did nothing to bring this wealth upon himself beyond the unintentional effort of being born. Had it not been for an accident, he would have probably been a restaurant owner to the end of his days. It was all brought about by a combination of circumstances that had been drawing to a focus for one hundred years, and he was the unconscious objective.

The Element of Luck

The element of what we call "luck" has been widely discredited by a number of brilliant, thoughtful authors. It is especially ignored by those who have reached the heights, because, naturally, they prefer to let their fellow men believe that the position attained is due to superior genius or ability. Yet we must admit that while in a few individual cases, such as those of Ford or Edison, ability and energy laid the foundation of their wealth, there are other persons whom we know intimately who are proverbial failures; they never get on in the world, and Fortune seems to persecute them with unrelenting cruelty from the cradle to the grave. If they were born into comfortable circumstances, they contrive to lose it; if they began poor, they have managed to "hold their own" with what we might call "a one-track mind," all through life. On the other hand, there are hundreds of instances where a "bad break of luck" can only be ascribed to influences brought about by the individual himself, and in such cases "luck" is blamed for something for which no such agency can be traced. Friswell, a writer of some note in the latter part of the last century, said truthfully, "People do not readily blame themselves (for misfortune). They call in a third party, like the mysterious sleeping partner of the money-lender, who always finds the money: this third party is Fate, or Destiny."

"Luck" is one of the most abused words in our dictionary; it is made to bear the responsibilities of a multitude of sins, both of omission and of commission. Ask any speculator who has been swamped by some unexpected turn of the market how he came to find himself in such a plight, and he will invariably ascribe his misfortune to many causes beyond his control. In such cases he will refuse to recognize the fact that he engineered his own destruction; he will vindicate his action and soothe the smart of his hurt vanity, he thinks, by blaming a number of unforeseen "circumstances" that conspired against him." He will regard himself complacently as the victim of "hard luck"—the same excuse which is used by the apprehended criminal or by the mediocre talent which, like Micawber, has been waiting optimistically for something to turn up without his having to exert himself to gain it. In short, from the most trivial offense to the greatest, "luck" serves as a first aid to the injured.

The Mysterious Outside Element

That there is a peculiar "something" that interferes with the course of men's lives few will deny. As Shakespeare so aptly put it:

"There is a destiny that shapes our ends,
Rough-hew them how we will."

The story of the Arab who became so wrought up over the discovery of diamonds that he sold his humble cottage and went forth to seek diamonds with the proceeds, is an example. Years afterward, when the original owner had long since become worn out with searching and had died in poverty, the purchaser of the little property discovered the greatest diamond mine in the world *right in the back yard.*

A thoroughly competent navigator and seaman who may be recognized as a master captain, will lose ship after ship, while captains of far inferior ability and knowledge will sail calmly and serenely past sunken ledges and floating derelicts without so much as a scratch. Some of the shrewdest men in business—hard workers who by every law of right ought to succeed—find themselves in financial difficulties without number, while a Coal Oil Johnny will stumble, drive his pick-point deep into the ground, and rise an oil magnate. Beau Brummell, with his lucky sixpence in his pocket, won at every gaming table and club at Newmarket and London until he had bagged over £40,000; when

his magic talisman became mislaid or lost, he was forced to flee to the Continent leaving nothing but debts behind him.

"Lucky" or "Unlucky" Stars

So important has been the part played by Fortune in deciding the destinies of men, that even such deep and serious brains as those of Napoleon or Cromwell have been guided in many of their moves and actions by their convictions. Napoleon believed himself a "Man of Destiny" and felt himself invincible. Cromwell had his lucky days, among these his birth-day. Experience, intelligence, energy, industry, application, concentration, attention to details and all the other virtues that men may possess, were counted by these great men of their period as nothing, if the possessor were born under an "unlucky" star.

History and the realms of fiction have afforded us some striking examples to prove the force of their contention. Whittington owed his rise to the post of Lord Mayor of London to his cat; the Frenchman who endeavored to commit suicide in a fit of despondency, cured himself of a disease that was sapping his very life by slashing open an imposthume with his knife; the Persian, who was condemned to lose his tongue, found an impediment in his speech removed because the operation of cutting out the tongue was so imperfectly performed; the painter who, in a fit of sheer desperation because he could not obtain a certain effect, hurled his dauby brush at the canvas in such a manner that he secured the very effect he had been striving for; the musical composer who was endeavoring to reproduce the thunderous effects of a storm at sea, and who, giving up the attempt in despair, drew his hands together from the extremities of the keyboard, produced the very sounds he wanted; the swindled purchaser of a suburban lot who found his "property" under water at high-tide, and who indulged in a bit of violent exercise by kicking the salesman into the water, found as he lost his balance and fell down the bank after him, that oil was literally oozing out of the ground beneath his feet. These, and thousands of similar instances, cannot be ascribed to the intelligent action of brains or hands, yet the results speak for themselves. "Some people," declared Pliny, "refer their successes to virtue and ability but it is all fate," and in such cases as those described we must almost agree with him.

A "Cross-Eyed" Boy

In Wall Street you will find thousands of people who believe firmly in "luck." Some of our greatest financiers attribute certain successful operations to that agency. Baron Rothschild laid down a hard and fast rule "never to have anything to do with an unlucky man or place." He was quoted as saying, "I have seen many clever, very clever, men, who had not shoes to their feet. I never act with them." John Jacob Astor had a similar feeling toward the so-called "unlucky" and such a stigma damned many a promising man in his eyes. Some of you will hardly believe what I am going to say, but it is the truth nevertheless. When a cross-eyed boy was given employment in the Board Room of one brokerage firm, customers who had lost money actually threatened to transfer their accounts unless that boy was removed. He was, accordingly, transferred to another branch of the business, and here, too, some of his associates believed that he exercised an unlucky influence upon their work. Eventually, in order to hold his position and for the development of any chances he might have in the future, he was forced to go to a clinic and have his eyes straightened, after which everything was all right. This feeling in Wall Street is deeply rooted, and extends away back for many years. I recall seeing in a book, written in 1872, the following doggerel:

Monday I dabbled in stock operations;
Tuesday, owned millions by all calculations;
Wednesday, my Fifth avenue palace began;
Thursday, I drove out a spanking new span;
Friday, I gave a magnificent ball;
Saturday, "smashed," with nothing at all.

Now let's get down to the real facts of this matter. The truth is that man, to a

considerable extent, is a child of opportunity. He adapts himself to circumstances voluntarily, or is forced to adapt himself to these circumstances against his will. He may grasp his opportunity boldly and because he recognizes it when he sees it, or he may reach for it blindly as a drowning man reaches for floating straws. In either event the opportunity is his, and self-preservation will cause him to hang onto it and make the most of it. The pines growing on the high, storm-battered slopes of the Rocky Mountains are scrubby and dwarfed, because the nature of the conditions surrounding them makes a tenacious existence close to the ground their only means of surviving the blasts of the elements. The pines of Michigan, however, reach up to tremendous heights, because they are crowded so close together that they are forced to reach upward for sunlight, and the bases grow large because they must support the additional weight. A tree cannot help itself, and has to stay "put." Man can move to another location if he doesn't like the one he finds himself in. In other words, circumstances may make or mar a man, but it is equally true that he can make his own circumstances. "Circumstances!" said Napoleon, "I make circumstances!" and while he might personally ascribe his rise to eminence as the result of the action of that indescribable force called "Destiny," the practical world sees him as the greatest general of modern history—the creator of kings and of kingdoms—the man who made Europe rock through the force of his own industry, energy and will. "Luck" never pulled Napoleon's guns over the ice-sheathed passes of the Alps, while Europe laughed and hurled him like a veritable thunderbolt onto the unbelieving Austrians at Nice and Genoa.

The true way to conquer circumstances is to be a greater circumstance yourself. As Burke said, "You have only to get in the trade-wind, and you will sail secure over the Pactolean sands." "Common-sense," said Wendell Phillips, "plays the game with the cards it has. Common-sense bows to the inevitable, and makes use of it. It does not ask an impossible chess-board, but takes the one before it, and plays the game."

Often in the course of human life there arises the necessity for action, radical and swift. Coming events may be said to cast their shadows before them, but when a mountain lion leaps the time between the arrival of the shadow and of the heavy body itself is too brief, and instantaneous action of brain and muscles is imperative. In business a sudden occurrence may bring about factors that will, if the opportunity is seized, make a man's fortune; neglect may ruin him. It is told that when the German submarines arrived off Nantucket Light, news of their arrival reached a few men on Wall Street before the official announcement. Knowing the market and seizing their opportunity, these men sold "short" thousands of shares of stocks. Two hours later, when the ticker announced the dread fact that war was at our very doors, pandemonium broke loose, stocks smashed down like pig-iron through a drum-head, and the foresighted ones made the fortunes others lost. Such an incident cannot be ascribed to luck. It was good judgment combined with the ability to think and *act*. The whole trouble with many who fail is that they do not realize the value of moments. Opportunity is a coy damsel—in the stock market she is absolutely skittish. The careless, the slow, the lazy, the unobservant, do not recognize her, and then when she passes by they stand around and bewail their own ill-fortunes while envying those who are escorting her down the street.

Superficial Manifestations

Let us take the common case of the man who buys a stock at a certain figure because he has a "hunch" that it is going up. He rushes in headlong, and comes out of the melée triumphantly clutching his stock certificate, or if he has bought on margin, a receipt. He picks up his paper a few days later, and finds that, contrary to his hopes and expectations, the stock has gone *down* two or three points. His confidence shaken, he

(*Continued on page* 872)

Public Utilities

Many Features in Unlisted Utility Market

Republic Railway and Light's 11 Point Advance the Outstanding Feature—Whole List Strong

By **P. J. RUSSELL**

THE public utility department during the last fortnight, was featured by two developments of first importance. They were, a general strength in virtually all utility securities and a succession of earnings statements which were almost unanimous in the way of improved business and betterment in profits.

Republic Railway the Feature

The outstanding feature of the utility trading, from the standpoint of strength and activity, was in Republic Railway & Light Co. preferred stock which in the last two weeks scored a rather sensational advance of 11 points and sold around 21 toward the close of the first week of October. This stock has been showing a rather firm undertone for some time past but little was done in the way of market activity until the close of September when indications pointed to a general improvement in the company's territory. This was, in part, based on the improvement in general industry but more particularly as it affected the steel business which is now operating at around 35% of capacity as against around 20% of capacity in the mid-Summer.

August earning statement did not disappoint the rather optimistic forecasts which had been made and signs are even more encouraging that when the September figures become available they will disclose a continuation of the good recovery shown in business during August. The statement for the latter month showed a surplus balance after charges of $33,307 which compared with a deficit of $2,459 for the month of July, so that all of the surplus for August was a net gain over July as well as the deficit reported for that month.

While this surplus may not appear large at first reading, it must be remembered that there is but $5,191,400 of this 7% preferred stock outstanding which is a rather small issue compared with the size of many preferred stocks. The surplus of $33,307 was at an annual rate of approximately $7.50 a share on the preferred stock. While there is no talk or thought at present of any dividend resumption on the stock, it would certainly prove to be an attractive issue, selling around 20 cents on the dollar, should earnings continue to improve as they have in the last few months.

By far the most important element of the August return was the fact that the company was able to reduce its operating expenses and taxes by approximately $210,000 from the costs shown for August of 1920, so that despite the fact that gross in August of this year was $176,000 less than that figure for August of last year, the balance of $33,307 available for preferred dividends was but $14,000 less than August of 1920. This splendid reduction in operating expenses, resulting in the conservation of a large part of gross for profits, was the result of operating economies and the greatly reduced costs of coal, labor and materials. This situation is probably the strongest point in favor of utility companies, since the economic trend of commodity prices has turned downward.

Republic Railway & Light

Gross earnings for August were $560,847, which compared with $547,873 for July of this year. Further improvement in gross is looked for in September and the remaining months of the year, because of the larger consumption of electricity for domestic purposes during the Fall and Winter months, coupled with the better demand for power which is looked for as a consequence of the larger operations of the steel mills and the consequent improvement in the whole territory with the laboring man getting more work and wages than during the dull Summer months.

American Power & Light Reacts

American Power & Light common, which has been one of the most active features of the unlisted market, encountered a natural market reaction in recent trading days and sold down to around 65 from its recent high point of 69. This was not unexpected in view of the fact that the stock had advanced a full 14 points, from 55 to 69, before any substantial reaction occurred. This stock has been strong because of the splendid earnings shown by the subsidiary companies and the hope that the improvement would be sufficient to bring about an increase in the dividend rate from the present payment of $4 annual to a $5 a year basis.

The latest earning statement available covers the month of August and the first eight months of 1921 and makes a very wholesome showing compared with the same month and period of 1920. Gross earnings of subsidiaries for August, not the parent company, were $1,904,282 compared with $1,724,064 for the same month of last year, the increase of $180,218 being better than 10%. Net earnings show a rather remarkable comparison with the increase of 10% in gross, having been $692,071, a gain of $215,872 over net for August of 1920, or approximately 40% better. The much higher percentage gain in net, of course, reflects the big savings which have been effected in operating expenses because of reduced costs of materials, labor, etc.

For the year ended August 31, gross business of $24,656,776 compared with $19,381,819 for the same period ended August 31 of last year. The increase in gross for the twelve month period was $5,274,957, or better than a 25% gain. Net earnings for the year ended August 31 were $8,416,659, contrasted with $7,024,936 for the same period last year, resulting in a gain in net earnings of $1,391,723, or approximately 20%. **Thus it will be seen that the gain in August net of 40% on an increase of but 10% in gross, more clearly reflects the lower operating costs of utility companies under present conditions when it is considered that in the twelve month period net gained 20%.** The latter, of course, was a remarkably good showing but that of August indicates that even better gains may be looked for as a result of lower current operating costs.

News and Notes

Another strong feature was **Federal Light & Traction** preferred which continued strong around 55, having held its gain in recent weeks to a large extent. The improvement is based largely on the fact that the company will have little difficulty in arranging some new financing although announcement has not yet been made.

Central States Electric, the holding company for the Cleveland Electric Illuminating Co., furnished considerable activity in the unlisted department with the preferred stock running up from 45 to 53 bid while the common stock advanced 2½ points from 6 to 8½ bid. The preferred stock pays 7% dividend and on its past record of earnings during normal conditions is well thought of. The plant, located at Cleveland, was always considered one of the cheapest steam generating stations in the country to operate. This is because of the availability of the plant to Great Lakes navigation, permitting it to obtain its supply of steam coal at rather low prices with the result that its operating expenses usually ran about 50% of gross. This is a rather low percentage for a steam generating plant although, of course, hydro-electric plants operate much cheaper.

Considerable interest is being de-

veloped in the municipal election in Detroit next month because of its likely effect on one of the big subsidiary companies of the **American Light & Traction** system. As a result, according to utility traders, American Light & Traction issues have been rather dull but firm. The company, however, is recognized as one of the biggest and strongest of the utility holding companies and its earnings, like those of many other utilities, are showing the benefit of lower costs and the pick-up in business.

Some improvement was noted in the **Western Power** issues, both common and preferred, based on the better earnings shown in the statement for the month of August. Profits for that month, after all charges, including subsidiary preferred dividend and renewal and replacement reserve, was $145,083 compared with $120,121 for the same month of 1920, or a gain of close to $25,000, about 20%. Here again is a utility company which is having good success in reducing its expenses with the result that while August gross of $602,930 was but $6,834 above that of August last year a reduction of $67,483, or approximately 25%, in operating expenses for the month, as compared with August of last year, resulted in balance for interest of $392,338 being $74,317 better than the balance available for interest charges in August of last year.

For the eight month period of 1921 to August 31, **Great Western Power** showed gross earnings of $4,811,896 against $3,969,323 for the same period of last year, a gain of $842,573. Despite the fact that it handled approximately 20% more gross business in the eight months this year, the company was able to reduce its operating expenses and taxes by $103,039, or better than 5%. This resulted in balance for interest of $3,101,367 for the eight months or an increase of $945,612 over the corresponding period of last year. An even more significant showing is made for the eight months in the item of balance available after interest charges, subsidiary preferred dividend and renewal and replacement reserve. This figure was $1,188,994 for the period of August 31 as contrasted with $568,408 last year, the increase of $620,585 in the item for the period representing a gain of close to 110%. This was not done at the expense of shaving down reserves which were the same as in the eight months to August 31 of last year.

West Penn Power Co., which is largely owned by American Water Works & Electric Co., reported a surplus of $307,590 for the first half of this year, after paying dividends on preferred and common stocks and meeting all charges, taxes, etc. Earnings of this company are at a better rate than any time in the last three years, net for the six months having been $812,128 or at an annual rate of $1,625,000. This was net available for dividend payments and contrasted with the same item in the three previous years, as follows: year ended December 31, 1920, $1,240,194; 1919, $1,223,529 and 1918, $1,145,795.

The unlisted utilities lost one of its members since the last review through the listing of the **American Water Works & Electric**, two preferred, prior preference preferred and common stocks on the New York Stock Exchange. All issues made a splendid showing on the big board, being considerably more active and stronger than they had been previously. The 7% preferred sold as high as 59 against a previous low for the year of 48, the 6% prior preference sold at 13¾ against a low of 8½ and the common sold at 6 against a low of 4. All issues, around October 7, were selling close to their top prices.

The most recent earning statement of the company covered the year ended June 30 last, and showed income over taxes, expenses and other charges of $516,269 against $488,646 for the same period of 1920. However, it is learned on competent authority that earnings in July and August showed a remarkable gain over those indicated for the year ended June 30. It is stated that in these two months earnings on the 7% preferred were at an annual rate sufficient to meet dividend payments twice over while previously they had been running close to about 7%, the dividend requirement. The preferred is not yet paying any dividend.

UNLISTED PUBLIC UTILITY STOCKS

	Annual Dividend Rate	Sept. 28 Bid	Sept. 28 Asked	Recent Bid	Recent Asked
Adirondack Power & Lt. com.	..	9½	13½	12	14
Adirondack Power & Lt. pfd.	7%	69	73	78	80
American G. & E. com. ($50 par)	14*	102	105	101	103
American G. & E. pfd. (50 par)	6	38	40	39	41
American Light & Trac. com.	8**	91	93	90	92
American Light & Trac. pfd.	6	58	60	79	81
American Power & Light com.	4	58	62	60	64
American Power & Light pfd.	6	66	69	71	73
American Public Utilities com.	..	10	15	7	10
American Public Utilities pfd.	..	16	20	16	19
Amer. W. W. & E. com. (listed)	..	..	..	..	..
Amer. W. W. & E. pt. pfd. (listed)	..	..	..	..	..
Amer. W. W. & E. 1st pfd. (listed)	..	..	..	..	..
Carolina Power & Light	..	26	28	27	30
Central States Electric com.	..	4½	5½	6	8
Central States Electric pfd.	7	40	45	50	55
Cities Service com.	$6 (cash scrip) $15 (stock scrip)	119	121	138	140
Cities Service pfd.	$6 (cash scrip)	43	45	61	64
Cities Service pfd. "B"	$0.60 (cash scrip)	4	6	..	..
Cities Service Bankers' Shares	$1.50 (stock scrip)	13½	14	15	16
Colorado Power com.	..	6	8	9	11
Colorado Power pfd.	7%	69	72	71	74
Commonwealth Edison	8	108	110	..	..
Commonwealth Pr. Ry. & Lt. com.	..	8	10	8	9
Commonwealth Pr. Ry. & Lt. pfd.	..	27	28½	24	26
Duquesne Light pfd.	7	90	93	94	97
Elec. Bond & Share pfd.	6	81½	83	82	84
Federal Lt. & Trac. com.	..	6½	8	7	9
Federal Lt. & Trac. pfd.	..	40	52	55	60
Middle West Utilities com.	..	17	21	19	21
Middle West Utilities pfd.	..	39	42	43	45
Nor. Ont. Light & Power com.	..	5	8	6	8
Nor. Ont. Light & Power pfd.	6	28	32	28	33
Northern States Power com.	..	44	48	43	46
Northern States Power pfd.	7	79	82	78	82
Pacific Gas & Elec. pfd.	6	79	81	79	81
P. Ser. No. Ill. com.	7	78	81	78	80
P. Ser. No. Ill. pfd.	6	87	91	87	90
Republic Ry. & Lt. com.	..	5	5½	4½	5½
Republic Ry. & Lt. pfd.	..	9½	10½	15	18
So. Calif. Edison com.	8	51	93	91	93
So. Calif. Edison pfd.	8	98	100	98	100
Standard Gas & Elec. com.	..	7½	9	7	9
Standard Gas & Elec. pfd. ($50 par)	8	33	35	32	34
Tenn. Ry. Light & Power com.	..	½	1½	½	2
Tenn. Ry. Light & Power pfd.	..	3½	5	4	6
United Light & Railways com.	..	21	23	22	24
United Light & Railways pfd.	6	58	60	62	64
Western Power com.	..	28	29	28	30
Western Power pfd.	6	70	72	71	73
Wisconsin Edison	..	22	27	25	28

*10% cash; 4% stock. **4% cash; 4% stock.
†Based on current payments.

Cities Service issues were all considerably better, based on the improved condition of the oil markets. Cities Service unquestionably will derive big benefits from the upturn which has taken place in crude oil prices. At this writing mid-continent crude is selling for $1.50 a barrel, or 50% higher than two weeks ago. Cities Service's oil subsidiary, the Empire Company, has one of the nicest producing properties in the mid-continent district. It is steadily producing 32,000 barrels of oil daily so that the increase of 50 cents a barrel means $16,000 additional income every day. Further evidence of improved oil conditions was seen in the reopening of the company's 3,500 barrel refinery at Ponca City, Oklahoma, which had been closed since February. This plant was resumed when a contract was signed with the Atchison railway for a supply of fuel oil.

As had been expected, no receivership developed out of the proceedings brought against the **Interborough Rapid Transit Co.** The hearing was again postponed until October 27 and it was announced that only $3,088,400 of the 7% notes, out of a total issue of $38,144,400, had not been deposited under the company's plan by which these notes were extended from Sep-

(*Continued on page 869*)

Baby Bonds for Small Investors

One-Hundred Dollar Issues Combed Out of an Extensive List

***By* E. A. DELANOY**

THAT the trend favoring Utility bonds is increasing, is evidenced by the numerous requests received from our readers for information and statistics covering Public Service issues. Many of these requests are from investors of small means. Bond issues in denominations as low as $100 seem sought after. In response to these requests, the writer has picked out, from a list of about one hundred and fifty bonds, with denominations as low as $100, twenty whose yields are high and whose positions are strong. They comply with all the requisites, such as safety, diversification and yield.

The accompanying table lists the twenty baby bonds, which were selected because they disclosed a strong position; because in their various lines of service they are assured of high position, and because their services are fundamental and necessary—that is, sufficiently in demand in normal times to assure profitable employment of the capital invested.

Some of these issues are listed on the New York Stock Exchange; the majority are not. Being listed on the big board is not in itself a guarantee of marketability.

The chart shows the interest dates, due dates, date of the bonds and yield. They are numbered so that, should a reader glancing at the list see an issue which might particularly attract him, he can then refer to the paragraph bearing the corresponding number and acquaint himself with the salient features of the bond and company. These bonds of small denominations can be purchased at about the same percentage prices as the $1,000 pieces. Readers will note that some of these are long term and some short term, so that the list will quite probably comply with the different needs of the many investors.

1—American Light & Traction 6s

An investor who wants his principal liquid in about four years, will find that this 5-year gold note is a desirable medium. These notes are callable in whole or in part May 1, 1922, or on any interest date thereafter, at 101. At the time the contracts were drawn up, a provision was inserted which permits the holder to purchase common stock in a ratio of two-thirds of one share for each $100 value of notes at $142 per on or after May 1, 1923; at $147 to May 1, 1924, and at $152 to May 1, 1925. This issue was for only $6,000,000.

The average income available over a period of five years is $4,413,120, while the interest required per year for these notes amount to only $360,000, which gives a factor of safety of approximately 91%.

The company was incorporated in 1901 to consolidate and control various gas, electric light and traction interests in different parts of the United States. The company now owns over 99% of the stocks in the Binghamton Gas Works, Consolidated Gas Company of New Jersey, Grand Rapids Gas Co., Detroit City Gas Co., Madison Gas & Electric Co., Muskegon Traction and Lighting Co., St. Croix Power Co., St. Joseph Gas Co., St. Paul Gas Co. and seven other companies, and besides owns over 97% of the stock of the Milwaukee Gas Light Co.

Since 1904, dividends have uninterruptedly been paid on the common stock at various rates. In 1904 they paid 5%, now the common is receiving 10%. These bonds enjoy an active market. They can be purchased at about 93, which gives them a yield of 8.05%.

2—American Power & Light Secured 8s

Some investors favor callable bonds and some uncallable. These secured 8s are callable on or after May 1, 1926, at 107½, and thereafter up to May 1, 1931, at 105, and from then to maturity at ½ to 1% each year. American Power and Light was incorporated in Maine in 1908 and controls through stock ownership companies serving 225 communities of which 198 are supplied with electric power and light service, while gas, water and other miscellaneous services are supplied to other communities. The territory served includes such important cities as Portland, Ore.; Wichita, Kan.; Omaha, Neb., and other important cities. The population is estimated to be in excess of 1,600,000.

The gross earnings of subsidiary companies for 1920 were $21,715,092, and net earnings were $7,431,310. Only about 1% of the gross earnings were derived from street railway. The proceeds of this issue were used to refund $2,200,000 of the 10-year 6% notes of the company which were due on August 1, 1921. These bonds are secured by a pledge with the trustee as collateral of $7,000,000, or 200% in general mortgage 8% bonds of subsidiary companies. The bonds being a lien through pledge of general mortgage bonds, rank ahead of securities of subsidiary companies, as follows: $1,100,000 10-year 5% notes, $15,287,000 preferred stocks paying 7% dividends, and $30,125,000 dividend-paying common stock. Net earnings for each of these subsidiary companies equal twice or more annual interest charges on its total outstanding bonded debt, including general mortgage bonds.

The actual net income for the year ended March 31, 1921, was $2,542,417, or 3.87 times annual interest charges on total funded debt including these bonds. The interest from the securities deposited as collateral will equal twice the annual interest charges on these bonds.

This company is closely allied with General Electric Co. interests, as it is under the management of the Electric Bond & Share Co., which is in turn controlled by the General Electric Co. At 100 these bonds yield 8% and are a remarkable investment.

3—American Telephone & Telegraph Co.

Little need be said about this company. It is probably the largest public utility in the country. Its financial position is emphatically strong at this time. These bonds are listed on the New York Stock Exchange. They are convertible into common stock at 106, with adjustment as to interest and dividends. Unissued bonds are reserved for extensions.

Although a direct obligation of the company, they are not secured by mortgage. Besides being listed on the New York Stock Exchange they are also listed on the exchanges of Boston, Chicago, Washington and Philadelphia.

They can now be bought at 101¼ to yield about 6%.

Twenty Baby Utility Bonds

	Security	Rate %	Interest	Dated	Maturity	Yield
1.	American Light & Traction	6	May 1-Nov. 1	May 1, 1920	May 1, 1925	8.05%
2.	American Power & Light Secured	8	May 1-Nov. 1	May 1, 1921	May 1, 1941	8.00
3.	American Telephone & Telegraph	6	Feb. 1-Aug. 1	Aug. 1, 1918	August 1, 1925	6.00
4.	American Public Service Collateral	8	March 1-Sept. 1	March 1, 1921	March 1, 1941	8.40
5.	Appalachian Power Secured	7	Feb. 1-Aug. 1	August 1, 1921	August 1, 1936	8.15
6.	Detroit Edison First & Refunding	6	March 1-Sept. 1	July 1, 1915	July 1, 1940	6.87
7.	El Paso Electric Co. Gold Notes	7	Jan. 1-July 1	July 1, 1920	July 1, 1925	8.00
8.	Home Telephone & Telegraph of Spokane	5	May 15-Nov. 15	May 15, 1906	May 15, 1936	7.25
9.	Kansas City Power & Light First & Refunding	8	June 1-Dec. 1	Dec. 1, 1920	Dec. 1, 1940	8.00
10.	Kentucky & West Virginia Power First Mortgage	7	Feb. 1-Aug. 1	Aug. 2, 1920	August 1, 1950	8.00
11.	Laclede Gas Light First Mortgage	7	Feb. 1-Aug. 1	Jan. 1, 1919	Jan. 1, 1929	6.00
12.	Louisville Gas & Electric Secured	8	Jan. 15-July 15	July 15, 1920	Jan. 15, 1923	9.70
13.	Metropolitan Edison Refund. & Improv.	8	May 1-Nov. 1	Nov. 1, 1920	Nov. 1, 1935	8.50
14.	Ohio Power First & Refunding	7	Jan. 1-July 1	Jan. 3, 1921	Jan. 1, 1951	7.40
15.	Oklahoma Gas & Electric First & Ref.	7½	Feb. 1-Aug. 1	Feb. 1, 1921	Feb. 1, 1941	8.05
16.	Southern California Edison Gen. & Ref.	6	Feb. 1-Aug. 1	July 1, 1917	Feb. 1, 1944	6.85
17.	Southern Sierras Power First	6	Jan. 1-July 1	Sept. 1, 1911	Sept. 1, 1936	7.70
18.	Standard Gas & Electric Gold	6	April 1-Oct. 1	Oct. 1, 1915	Oct. 1, 1935	8.85
19.	Vermont Hydro-Electric First Mortgage	6	April 1-Oct. 1	Oct. 1, 1919	Oct. 1, 1929	6.00
20.	West Penn Power First Gold	7	Feb. 1-Aug. 1	March 1, 1916	March 1, 1946	7.10

4—American Public Service Collateral 8s

These P. S. C. bonds are callable at 107½ on February 28, 1926; on February 28, 1931, at 105 and on February 29, 1936, at 102½. Interest is payable without deduction for Federal Income Taxes not in excess of 2%. They are a direct obligation of the company and are secured by a pledge of $457,200 par value of the 1st lien 6% gold bonds of the company, the bonds thus being pledged at 70. These pledge bonds are secured by a first lien on all the outstanding bonds and capital stocks of the subsidiary companies. The mortgage securing the pledged bonds provides a depreciation fund calling for annual payments of 2% of the outstanding bonds.

For the 12 months ending January 31, 1921, gross earnings were $2,155,187, and net earnings $635,843. Annual interest requirements on the 1st lien bonds and secured notes outstanding are $348,916. It is estimated that the gross earnings will be $3,496,699, and net earnings $1,258,547.23 for this year.

At the present price of 96 the yield is 8.40.

5—Appalachian Power Secured 7s

Appalachian Power 7s are selling at around 90, which gives them a yield of 8.15%. They are non-callable, a feature which many investors will favor. The bonds are secured by $6,000,000, closed issue, of general mortgage bonds, due 1936. They are a direct mortgage on the entire property of the company, subject only to the first mortgage bonds. The cost value of the physical property is largely in excess of the total funded debt of the company outstanding, including these bonds.

Net earnings for the year as of July 31, 1921, exceeded 3.60 times the annual interest requirements of these bonds.

6—Detroit Edison First & Refunding 6s

Here is a bond that $100 investors may get in on. They are dated 1915 and are due 1940. They are a direct obligation secured by mortgage on the company's entire property and were issued in the amount of $75,000,000, of which $16,665,000 Series A 5s and $18,319,000 Series B 6s are outstanding. They are followed by $15,664,500 debenture bonds and by $27,663,000 capital stock, which has paid dividends during recent years at the rate of 8% per annum.

This company owns and operates the electric lighting and power business of Detroit and serves a population of 1,375,000. Last year it did a business of nearly $22,000,000, and had a net income of $5,000,000, against interest charges of $2,462,757. Since the close of last year, monthly earnings have shown substantial improvement in gross and net as compared with the corresponding months of 1920. The bonds are quoted about 91 and yield more than 6.87%.

7—El Paso Electric Gold 7s

These 7% notes are a direct obligation of the company and are secured by pledge of all bonds, notes and stocks of subsidiary operating companies now owned. They have an aggregate value in excess of $6,000,000, subject to a lien of a closed $1,000,000 collateral trust bond issue due January 1, 1932. This issue is only for $750,000. The value of the property is in excess of the face amount of all outstanding bonds, notes and stocks.

That the financial structure of the company is conservative is shown by the fact that of the total capitalization, bonds comprise only 16%, notes 25% and stock 59%.

Earnings are quite substantial. For 12 months ending July 31, 1921, net earnings applicable to interest were 4.3 times all interest charges on the indebtedness of the company. The company serves a population of about 80,000, supplying all the electric lighting and commercial power, street and interurban railway business of El Paso, Texas and Juarez, Mexico.

These bonds can be purchased at around 96¾ to yield about 8%.

8—Home Telephone and Telegraph, Spokane, 5s

This is a high-grade bond that may be obtained at about 81½ to yield more than 7%. The bonds are secured by a closed first mortgage on the entire property. The company is controlled by the Pacific Tel. & Tel. Co., which owns the entire Bell Tel. system of the Pacific Coast. The latter is one of the largest subsidiaries of the American Tel. & Tel.

The bonds have the endorsement of the Pacific Tel. & Tel. Co. guaranteeing them. The latter has been paying dividends at the rate of 6% on its $32,000,000 preferred stock since 1907. At current market quotation the preferred and common stocks show an equity of more than $33,000,000. Net earnings over a period of years show a large margin of safety over fixed charges.

9—Kansas City Power & Light First & Refunding 8s

This company supplies electric light and power to Kansas City, Mo., and a portion of Kansas City, Kan., serving a population of about 450,000. The bonds are secured by a first mortgage on recently completed Northeast Power plant, certain substations and transmission and distribution lines and other property of the company, the total value of which is about $10,500,000.

On the remaining property of the company the bonds are secured by a direct mortgage lien, subject only to underlying first and second mortgage bonds now outstanding, and share to the extent of 60% in the first lien on such property through pledge of $4,617,000 par value of first mortgage bonds. The second mortgage is closed and any further first mortgage bonds issued are to be pledged as security for the first and refunding bonds. These bonds can be purchased at a price to yield about 8%; that price is 100½.

10—Kentucky and West Virginia Power First 7s

These bonds can be purchased at about 92 to yield about 7.70%. They are secured by a first mortgage on all the property of the company, subject to only $805,000 divisional bonds held by the public. Besides this they are further secured by a pledge of $1,116,000 bonds of the same divisional issue.

The net earnings as of May 31, 1921, were over 1¾ times annual bond interest. A sinking fund is one of the features of this issue. This fund increases from 1½% of first mortgage bonds outstanding in 1925 to 3% in 1940. More than one-third of the bonds issued should be retired under this fund before maturity.

11—Laclede Gas Light First Mortgage 7s

The market in these bonds is around 94¼, which gives a yield of about 8%. The bonds are now secured by a direct mortgage lien on all the company's physical property. The company does all the gas business in St. Louis, serving a population of about 850,000.

A feature of this bond is that it is convertible at the option of the holder into either common capital stock of the company, par for par, or into a like amount, face value, of Series B 30-year 5% bonds of the company issued under the same mortgage, the Series A bonds to be computed at par and the Series B bonds at a 5½% income basis.

12—Louisville Gas & Electric Secured 8s

Here is a short term note with a high yield that should appeal to the investor desiring to put his money to work for the next two years. Its present price shows a yield of about 8.70%. The amount of the issue was $5,000,000, of which $189,400 was redeemed and there is now outstanding $3,899,700.

The company, together with its affiliated companies, own and operate without competition the electric and gas business of Louisville, Ky., together with the steam-heating business in restricted business districts of the city, serving a population, including suburbs, estimated to be more than 310,000. These notes are secured by $5,849,600 general mortgage bonds of the company. A sinking fund of $408,910 per year is in effect for the retirement of the notes.

Net earnings are more than 3½ times annual interest requirements on these notes.

13—Metropolitan Edison Refunding & Improvement 8s

These are redeemable as a whole or in part on my interest date upon 30 days' notice, at the principal amount thereof, plus accrued interest, together with a premium of 7½% in the year 1921, and ½ of 1% less per year during each year thereafter. Secured by a direct mortgage on the entire physical property now owned or hereafter acquired. They are subject to $7,564,500 of underlying bonds in lieu of which the refunding and improvement bonds share to the extent of $283,000 of first and refunding bonds deposited with the trustee.

After 1922, when the first and refunding bonds mature, this issue will be secured by a first mortgage on certain division of the company's property and by a mortgage on the balance, subject to only $2,614,500 of underlying bonds. Gross earnings for the 12 months ending February 28, 1921, are 240% in excess of those for the calendar year of 1914. Net earnings increased 85% during the same period. These bonds can be purchased at a price to yield about 8.25%.

(*Continued on page* 881)

Utility Bonds Continue Strong

List Maintains Advance of Recent Weeks

By CONRAD H. LIEBENFROST

THE volume of transactions consummated in public utility bonds during the past several weeks has been heavy. Over the counter sales improved greatly. This resulted in a further forward movement of prices. The list in general rose to the high of the year and in some cases individual issues recorded highest prices to date. Traction issues were strong, particularly those representing New York City companies which gained about a point. The strength in these latter issues reflected the belief that the Transit Commission's plan is favorable to holders of securities of these companies.

It is generally agreed among the experts in the operation of public utility enterprises that the situation with regard to these companies has materially improved. The reduction of operating costs has been the prime factor and from all appearances the trend here will continue downward, there has been a country-wide reduction in wages of trainmen and, barring only a few communities, these cuts in salaries have been accepted. Further marked improvement in efficiency is recorded. Fuel costs at the base of supply are much lower although this is still being offset by high freight rates. Coal, for instance, at plants are in some cases doubled and trebled when arriving at their destination due to high freight rates.

The Jitney Situation

Street railways are having big slices of revenue taken from them by jitney bus competition. They cannot, however, take the place of the electric street railways. A good test is now being made in Des Moines and bears out the above statement to the letter. Mr. P. H. Gadsen, president of the American Electric Railway Association is quoted as saying recently:

"There is absolutely no basis for the prediction that motor vehicles will supplant electric street railway lines in our cities in the near or distant future. Any such statement is a mere conjecture unsupported by facts.

"A very practical test is now being made in Des Moines, Iowa, of the claims of those interested in the automotive industry that the motor bus and jitney can take the place of electric railways. On August 4th, by order of the United States court, the Des Moines Electric Railway ceased to operate and the city of Des Moines with a population of 126,000 people, has been without railway street service for weeks. The result has been to show the complete failure of the motor bus or the jitney to take the place of an electric railway. Careful statistics show that buses and jitneys are carrying not over 50% of the number of passengers which habitually traveled on the street railway. The other 50% are walking or staying at home. The injury to the merchants and business generally in the city has been so great that a business man's committee has been organized which is insistently demanding of city council that it be made possible for the street railway to resume operations.

"This has been experienced in every city within the last two or three years where there has been a cessation of the operation of street cars by reason of strikes. The streets became impassable by reason of the congestion of motor vehicles and the uncontradicted testimony before the Federal Electric Railway Commission was that it was as impossible for motor vehicles to handle the peak loads in the morning and evening. It is, of course, admitted that the motor bus and the jitney are taking in a number of places, an appreciable part of the business away from the electric railways, but this is only possible by reason of the fact that the electric railways are under strict regulation, whereas the jitney and the motor bus are free to operate at their will and pleasure. Under similar regulations, the jitney and the auto bus would disappear from our streets.

"The best evidence of the stability of the electric street railways of this country is shown by a recent tabulation of the result of the operations of a group of 75 electric railways during the six months ending June 30, 1921, as compared with the same period of 1920. The total revenues from railway operations of these 75 cities and interurban companies during the first six months of this year showed an actual increase of 3.1%. The net revenue after deducting operating expenses likewise increased over 3%. This surprising result was accomplished in spite of the unfair competition from unregulated auto buses and jitneys. When these figures are compared with the experience of industry generally throughout the country, it will be seen how intrinsically safe the electric railway is as a basis of investment, and how essential these electric railways are to the communities in which they operate."

Telephone and Telegraph Bonds Added to Index

Followers of our Unlisted Public Utility Bonds Index will note that we have made a new addition to our list, namely, unlisted telephone and telegraph bonds. There are a number of high grade bonds of such companies that are available today to the investor at prices which make them extremely attractive. Out of 53 issues of unlisted bonds in which there is an active market, the eight now given in our list enjoy unusual activity and are representative of companies whose credit and money making ability is well known. Each of these bonds is unquestionably of high rating.

The small investor or the beginner is able to purchase almost any of these bonds as five out of the eight can be had in denominations of $100.

It is not necessary to describe the issues listed of the American Telephone and Telegraph Company. These bonds have advanced steadily since July over three points and reached a high of 100 during the week of September 23rd. Even at the present quotations these bonds continue attractive. The five year 6% notes due in 1924 are callable with accrued interest at 103 up to and including Jan. 31, 1922, at 102 thereafter until Jan. 31, 1923 and at 101 to maturity. The 3 year 6% notes are featured by the fact that they are callable in whole or in part at 102, and interest, on any interest date.

The Bell Telephone Company, of Canada, is a consolidation of several smaller operating companies and is associated with the American Tel. & Tel. Co. Both of this company's bonds listed are equally secured by a first lien on the entire property, excepting real estate. The first 5s are outstanding in the amount of $11,149,000 and the 7s $5,500,000. The interest required per annum for both issues amounts to $942,450 while the average income available is $2,028,569. Besides enjoying an active market in the United States, these bonds are traded in on the Montreal and London Stock Exchanges.

The Chesapeake & Potomac of Va. first 5s are callable at 103, and interest on any interest date. Interest is payable May and November 1st. A sinking fund of 1% per annum operates by purchase of outstanding bonds or investment in other securities. The bonds are a first lien on the entire property of the company, which serves the entire State of Virginia and pays the normal income tax of 2%.

The Bell Telephone Co. of Pa. 7s carry a callable feature of 107½ and accrued interest. A sum of $410,000 is annually paid to a trustee in semi-annual installments to retire by purchase outstanding bonds. The bonds are secured by a mortgage covering as a first lien the entire physical property of the Company in Penn. This is an exceptionally good bond.

The American Tel. & Tel. assumed the bonds of the Western Tel. & Tel. collateral trust 5s. They are secured by a deposit of stocks of controlled companies of a par value of $15,492,400 including Ohio Bell Tel. Co., New England Tel. & Tel. and others. Space prohibits a more detailed description here. However, investors need not hesitate to place idle funds in the bonds of this concern.

In another article of this issue of the MAGAZINE (entitled Baby Bonds for Small Investors), there is a complete description of the Home Tel. & Tel. 5s of 1936.

Changes in the Index

Three new issues, which appear to meet the requirements of investors have been added to our Bond Index. Two of them have just recently made their debut, while the other has been out for about six months. These are the Consolidated Gas Electric and Power Co., of Baltimore, first refunding mortgage 7% sinking fund gold bonds, Series C convertible; Toledo Traction, Light and Power Co., first lien

7% Gold Bonds; and the Lexington Utilities first lien and refunding 6% gold bonds.

Two issues have been dropped from the index, namely, the Westchester Lighting Co. 5s of 1950 and the Waterloo, Cedar Falls & Northern 5s of 1940. Although the Westchester Lighting 5s stand up as an excellent bond, the market in them has been found to be inactive, no transactions in them having been recorded for some time. As we aim to keep this list of practical value, it was deemed advisable to drop this bond for the time being anyway.

The Waterloo, Cedar Falls & Northern 5s have lost what prestige they had. At the present writing the cause for their slump cannot be accounted for, but we feel justified in eliminating this bond.

A magazine reader recently wrote to the writer saying that he found it practically impossible to obtain the Lynchburg Water Power first 5s at any price due to the lack of offerings. On checking this up with several of the dealers in New York we found that the bond is closely held. We believe them to be an excellent investment but because of the scarcity of them, we think it is best to take them off the list.

The Case for Unlisted Bonds

Persons undertaking to give advice with regard to bond investments are asked many questions. One of the most frequently heard is, "Isn't it unwise to purchase issues not listed on the Exchange?"

To this question there seems to be only one logical answer, and that is: "As between two securities of equal intrinsic merit, the listed security is *generally* preferable in that it *generally* possesses greater marketability."

All rules, however, have their exceptions. The exceptions to the above rule may be numbered by the dozens, if not by the hundreds. That is, there are innumerable securities which are not listed on any exchange but which lose nothing in respect of marketability therefor.

An unlisted bond may be quite as active as a listed bond. The "spread" between the bid and asked prices on an unlisted issue may be even narrower than that on a listed issue. Listing is, in itself, no guarantee of marketability.

Nor is listing by any means a guaranty of greater security. The stock exchanges, it is true, generally require certain information before adding a new security to the list; but the information they require is certainly no more complete, and is often far less complete, than that required by banking houses "of issue" before they will underwrite a new concern. Thus, the investor who buys direct from a house of issue knows that as competent and complete an analysis of his bond has been made as could be made.

Furthermore, the sponsorship of an issuing house is generally a vital, living thing. Most of these banking organizations make it a point to follow up recommendations. There is a valuable personal touch here which is generally absent in the case of listed securities.

Summing up, we repeat what the MAGAZINE has said many times before: A security is good or bad according to the intrinsic merits or demerits of the issuing corporation. "Listing" makes little difference.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Price	Yield
Atlantic City Electric Co. 5s, 1938 (a)	78	7.25
Bronx Gas & Electric Co. First 5s, 1960 (a)	67	7.45
Buffalo General Electric First 5s, 1939 (c)	88	6.05
Canton Electric Co. First 5s, 1937 (b)	87	6.40
Cleveland Electric Ill. Co. 5s, 1939 (b)	89	6.06
Cleveland Electric Ill. Co. 7s, 1935 (a)	102½	6.80
Consolidated Gas, El. & Pr. Co. Balt. 1st Refund. 7s, 1931 (b)	97½	7.35
Denver Gas & Electric Co. First 5s, 1949 (c)	83	6.20
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	98½	7.65
Evansville Gas & Electric Co. First 5s, 1932 (a)	80	7.00
Kansas City Elec. Util. First 5s, 1925 (c)	85	9.60
Kansas Gas & Electric 5s, 1922 (a)	96	7.65
Indianapolis Gas Co. 5s, 1952 (a)	80	6.70
Louisville Gas & Elec. Ref. 7s, 1923 (c)	97½	8.60
Nevada-Cal. Electric First 7s, 1946 (c)	84	7.40
Northern Ind. Gas & Elec. Ref. 5s, 1929 (c)	70	9.60
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	93	8.20
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	84	7.70
Peoria Gas Electric 5s, 1923 (a)	94	8.10
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	97½	7.25
San Diego Cons. Gas & Electric First Mtge. 5s, 1939 (a)	80	6.95
San Diego Cons. Gas & Electric First Mtge. Ref. 6s, 1939	85	7.20
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	87	9.80
Standard Gas & Electric Secured 7½s, 1941 (c)	94	8.10
Syracuse Gas Co. First 5s, 1946 (a)	83	6.45
Syracuse Ltg. Co. First 5s, 1951 (a)	75	7.00
Twin-State Gas & Electric Ref. 5s, 1953 (c)	65	8.40

TRACTION COMPANIES

	Price	Yield
Arkansas Valley Railway Light & Power First & Ref. 7½s, 1931 (b)	96	8.00
American Light & Traction Notes 6s, 1925 (c)	92	8.20
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	63	9.00
Danville, Champ. & Decatur 5s, 1933 (a)	72	8.00
Georgia Ry. & Power 5s, 1954 (b)	75½	6.85
Kentucky Traction & Terminal 5s, 1951 (a)	60	8.90
Knoxville Ry. & Light 5s, 1946 (b)	63	8.15
Milwaukee Light, Heat & Traction 5s, 1929 (a)	85	7.50
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	97	8.60
Milwaukee Elec. Ry. & Light 20 year 7½s, 1941 (b)	95	8.00
Monongahela Valley Traction Co. Gen. Mtge. 7s, 1923 (c)	94	9.80
Memphis St. Ry. 5s, 1945 (a)	64	8.55
Northern Ohio Trac. & Lt. 6s, 1926 (c)	78	10.00
Northern Ohio Trac. & Light 6 Year Sec. 7s, 1926 (c)	84	6.50
Nashville Ry. & Light 5s, 1953 (a)	75	6.30
Portland Ry. Power & Light First Lien & Ref. Series "A" 7½s, 1946 (c)	96	7.80
Topeka Ry. & Light Ref. 5s, 1933 (c)	65	10.10
Toledo Traction Lt. & Power Co. First Lien 7s, 1921 (b)	100	7.00
Toledo Traction Lt. & Power First Lien 7s, 1922 (b)	98½	8.40
Tri-City Ry. & Light 5s, 1930 (c)	77	8.70
United Light & Rys. Ref. 5s, 1932 (c)	76½	8.35
United Light & Rys. Notes 6s, 1930 (c)	90	8.15

POWER COMPANIES

	Price	Yield
Adirondack Power & Lt. Corp. First & Ref. Gold 6s, 1950	88	7.00
Adirondack Electric Power Co. First 5s, 1962	83	6.20
Alabama Power Co. First 5s, 1946 (a)	81½	6.50
Appalachian Power Co. First 5s, 1941 (a)	74½	7.50
California Oregon Power Co. First & Ref. 7½s, Series A, 1941 (c)	100	7.50
Central Maine Power Co. First & Gen. Mtge. 7s, Series A, 1941	95	7.45
Central Maine Power Co. 5s, 1939 (a)	84	6.60
Central Georgia Power First 5s, 1938 (c)	80	8.50
Columbus Power Co. (Georgia) First 5s, 1936 (a)	85	6.75
Colorado Power Co. First 5s, 1953 (c)	76	6.80
Connecticut Power Co. First Con. 5s, 1963 (b)	80	6.00
Consumers Power Co. (Mich.) 5s, 1936 (a)	84	6.70
Electric Dev. of Ontario Co. 5s, 1933 (b)	84	6.85
Great Northern Power Co. First 5s, 1935 (a)	84	6.90
Great Western Power Co. First & Ref. 7s, Series B, 1950 (a)	96	7.35
Great Western Power Co. 5s, 1946 (a)	83	6.35
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	85	6.05
Idaho Power Co. 5s, 1947 (a)	81	6.50
Kansas City Power & Lt. 8s, 1940 (c)	99½	8.05
Kansas City Power & Lt. First 5s, 1944 (c)	80	7.25
Laurentide Power Co. First 5s, 1946 (b)	84	6.30
Lexington Utilities Co. 1st Lien & Ref. 6s, 1936 (a)	..	8.00
Madison River Power Co. First 5s, 1935	87	6.40
Mississippi River Power Co. First 5s, 1951 (c)	81	6.40
Niagara Falls Power Co. First & Consolidation Mtg. 6s, 1950 (b)	92	6.62
Ohio Power First & Ref. 7s, 1951 (c)	94	7.50
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	94	9.00
Potomac Electric Power Gen. 6s, 1953 (c)	98	7.10
Salmon River Power First 5s, 1952 (c)	83	6.20
Shawinigan Water & Power Co. First 5s, 1934 (b)	89	6.25
Southern Sierra Power Co. First 6s, 1936 (c)	91½	6.90
S. W. Power & Lt. First 5s, 1943 (c)	77	6.86
West Penn. Power First 7s, 1946 (c)	98½	7.12
Utah Power & Light Co. First Lien & Gen. Mtg. 7s, 1925 (a)	93	9.10

TELEPHONE AND TELEGRAPH COMPANIES

	Price	Yield
American Tel. & Tel. 3-Year 6s, 1922 (c)	99¾	6.75
American Tel. & Tel. 5-Year 6s, 1924 (c)	99½	6.28
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	84	9.90
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	98½	7.50
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	102½	6.80
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	85	6.45
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	79½	7.25
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	93	7.30

American Telephone & Telegraph Co.

A Desirable Investment

Tel. & Tel.'s Position Not Weakened by Increase in Dividend Rate

THERE is much talk just now as to the status of the American Telephone & Telegraph Company shares. This is largely due to the recent increase in the dividend rate on the company's common stock from 8 to 9%. It is contended by some in financial circles that the increase in the common stock's dividend rate forced the issue out of the investment class and into the "semi-investment" grows. This reasoning, to the writer, seems entirely illogical. The facts and figures of the case indicate no weakening in the status of this issue.

The common stock of the American Telephone & Telegraph Co. today represents one of the most stable investments listed on the New York Stock Exchange. What the investing public thinks of this issue is clearly shown by the records of its transfer books. Since January 1, 1921, to date, over 50,000 stockholders have been added to the list. The total number now owning stock in American Telephone & Telegraph is 212,000 persons.

Financial Status Disclosed

The company has recently disclosed its financial status. It has today in cash and United States Treasury certificates approximately $60,000,000. The earnings of the company are being accumulated at such a rate that it is estimated that undivided profits for the year will reach over $12,000,000, or nearly 30% in excess of the dividend requirement. If the reader will look at table No. I he will see that dividend requirements necessitate $39,936,078. This estimated $12,000,000 does not include the undivided earnings that are left in the treasuries of subsidiary companies and in which the American Telephone & Telegraph Company has a very large equity.

Early in the year it was prophesied that American Telephone would show large earnings for 1921 and more than earn its dividend requirements. This was borne out at the issuance of the company's report for the first quarter. In this report, net earnings, after interest charges were deducted, amounted to $13,092,796. This was equivalent to $2.95 a share earned on their outstanding capital stock of $443,519,100 and compared with $2.95 a share in the corresponding period a year ago. The report further showed that the company enjoyed total earnings of $26,356,782 as compared with $25,500,061 in the first quarter of 1920. Expenses were registered as $8,270,850 against $7,689,874 in 1920, while interest deductions were $4,993,128 as compared with $4,757,741 in the preceding year.

New Capitalization and Earnings

Since the foregoing report made its appearance the capital stock has been increased until $750,000,000 is now authorized of which $532,988,024 is outstanding. On July 25th of this year, the company announced that over 93% of $90,000,000 new stock (offered to stockholders of record May 20 at par in ratio of one new share for every five shares held) had been subscribed. The right to subscribe expired July 20, 1921. Under the offer, payment for the new stock could be made in full or instalments as follows: July 20, $10; September 1, $40, and November 7, $50. This additional new stock was listed on the New York Stock Exchange on July 13th to the amount of $89,819,500.

On June 30, 1921, the semi-annual report of the company was announced. Table No. II gives the principal divisions of this income account. The reader will note that net income before deduction of dividend requirements was just twice as large as of net earnings for the first quarter stated above. The company, in other words, scored an increase of 50%. For the first quarter the company earned $2.95 a share, while for the first half the earnings per share amounted to $5.89.

The outstanding capital stock is now larger by about $90,000,000, but even with this increase it seems safe to say that the company will be able to show in its annual report earnings more than sufficient to take care of dividends at the new rate of 9% and have a substantial reserve left to be added to its undivided profits.

Business Increasing

The company's business is increasing by leaps and bounds. For the first six months of the year the exchange in toll traffic of the Bell System was larger than for the corresponding period of 1920. The growth in subscribers' telephones has been uninterrupted and a net gain of more than 285,000 telephone stations since January 1, 1921 recorded. It is not necessary to wait for revenues from these new additions to affect the charges of installation, because this growth has already been financed and placed on a revenue producing basis.

Statistics show that there is today one holder of the company's stock to every sixty-eight telephone subscribers and the ratio is constantly improving. This is surely indicative of the faith the American public has in this gigantic organization. The company has also gone to great lengths to improve its service to subscribers. All manner of tests have been recently made, extending to every part of the Bell System, to ascertain its efficiency

(*Continued on page* 882)

TABLE IV—COMPARATIVE BALANCE SHEET COVERING ENTIRE SYSTEM IN U. S.

Assets	1915	1916	1917	1918	1919	1920
Telephone Plant	$880,068,520	$946,293,248	$1,064,892,710	$1,142,496,153	$1,215,944,184	$1,363,826,287
Supplies, etc.	15,951,582	24,032,099	31,543,745	122,958,290	38,035,094	47,442,043
Receivables	43,518,625	66,029,580	42,472,942		84,409,519	66,351,159
Cash	45,716,330	80,692,820	35,986,840		72,879,842	41,390,285
Stocks and Bonds	72,652,646	81,815,476	101,007,231	115,054,870	118,806,351	115,230,719
Total	$1,057,907,703	$1,198,863,232	$1,276,503,468	$1,380,506,318	$1,580,074,980	$1,634,249,533
Capital Stock	$440,711,200	$463,101,569	$505,403,777	$513,017,040	$512,121,868	$511,493,407
Bonded Debts	353,236,464	422,586,617	407,434,080	430,992,450	546,202,769	585,794,075
Bills Payable	2,404,920	3,738,451	4,538,585	47,064,765	1,774,207	10,130,141
Accounts Payable	29,039,127	38,280,436	46,352,252	38,196,095	72,158,014	73,429,402
Employee's Benefit Fund	9,114,320	9,151,000	9,219,143	9,244,000	9,244,061	9,363,215
Surplus and Reserves	223,401,663	262,005,159	303,525,651	341,991,959	388,574,000	444,039,203
Total	$1,057,907,703	$1,198,863,232	$1,276,503,468	$1,380,506,318	$1,580,074,930	$1,634,249,533

Petroleum

Oil Situation Temporarily Improved

Competition Forcing Higher Prices—Trade Gloom Gradually Dispelling

By **H. L. WOOD**

THE petroleum industry is finding its low level surely, if somewhat grotesquely, as shown by the slight advances in crude oil prices from Pennsylvania to Oklahoma and Texas and an almost negligible increase in the demand for refined products. **An advance of 25 cents a barrel in Pennsylvania grades of crude oil, 15 cents in Kentucky and Illinois, 25 cents in North Texas and Oklahoma and Kansas, with 10-cent advances in scattered pools in Arkansas and Louisiana, are evidences that the Standard Oil Company believes the upturn of industry has begun.** The price advances are not made because crude oil is getting scarce, but because in some localities competition has forced them. Producers of crude oil who profit by the advances are not disposed to grumble about the causes, but accept the effects pleasantly, believing that the psychology of trade is turning toward improvement. Most oil operators in the United States believe that the greatly reduced output of oil in Mexico is responsible for some of the price advance, and they may be right in their belief. In any event, the petroleum industry is feeling less gloomy than it did before the advances of the last ten days.

There is no shortage of crude oil anywhere, and there is not even remote danger that there will be any shortage for a long time. As a matter of exact fact, there is so much crude and refined oil in storage and production holds so steady that conservative operators still advise less development, for in the great productive states of Oklahoma, Kansas, California and Texas considerable crude oil is being run to storage tanks because it cannot be immediately consumed. Canada and the northern states of the Union do not produce cotton, but the present surplus of cotton in the southern states provides for every contingency. The New England states produce little wheat, but the surplus of wheat elsewhere assures plenty of bread and pastry. So the production of crude oil in the localities where nature placed it assures the world an abundance of gasoline, kerosene and lubricants.

George Otis Smith and David White, chief geologists and petroleum experts and advisers of the government petroleum bureaus, at a meeting of New York state oil producers held in Allegany county the other day, for the 'steenth time reiterated in clarion tones their warning that petroleum would become exhausted in thirteen years and five months. This delusion, so consistently cuddled by the high-brows, may serve to hold the price of gasoline at 25 cents to 27 cents a gallon in Atlantic seaboard territory while in all territory west of the Mississippi river the price ranges from 12 cents to 17 cents a gallon. It certainly serves no other economic purpose.

Oil Production Plentiful

The production of crude oil in the four states of Oklahoma, Texas, Kansas

HON. WILLIAM H. KING
Senator from Utah and leader of movement to investigate exact status of the Royal Dutch Shell Syndicate in this country

and Louisiana, comprising the Mid-Continent fields, is today 145,000 barrels a day less than it was one year ago, and of the total daily production now of 650,000 barrels approximately 100,000 barrels a day goes into storage because of no demand for immediate consumption. Therefore the decline in production has no economic importance. Neither does the sudden snuffing out of production in Mexico by salt water have much economic significance, except to a few companies and individuals directly affected. The four states mentioned, with California, easily insure the United States against any shortage of crude oil and its refined products.

Since the signing of the armistice oil producers and refiners have been expecting a heavy demand for their products in Europe, hoping that demand would so reduce the supply that war prices would continue. That delusion, like the one so continuously nurtured by Mr. Smith and Mr. White, is nearly spent. Petroleum is exported, of course, and will continue to be exported from the United States, for this country has always produced from 20% to 30% more petroleum than domestic consumption required; but foreign countries will never keep the United States prosperous by consuming our surpluses. New York state alone has in daily use more automobiles and gasoline-driven motors than all of Europe combined; yet we do not expect increased consumption of any product in New York state will sustain any single industry.

Great Britain, now the greatest consumer of petroleum products outside of the United States, controls an enormous petroleum supply in Persia and is interested to some extent in oil production in Rumania, Russia, largely in India and somewhat in Mexico and South America. Increasing quantities of crude and refined oils are moving from these oil fields to Great Britain to replace oil almost wholly supplied by the United States in the past. Economically this petroleum trade change is desirable for the increasing use of petroleum products in the United States will be met with a more assured, if not a cheaper, supply.

Royal Dutch-Shell Readjustments

Reference to petroleum exports recalls the many rumors prevalent about the Royal Dutch-Shell syndicate buying control of a number of strong oil companies in the United States. The Union Oil Company of Delaware has been specifically mentioned as one of the organizations about to pass to Dutch-Shell control.

It can be stated with reasonable certainty that Dutch and English interests are not trying to buy control of United States oil companies and properties so much as they are to retain prosperous control of the property and business they already have here. Dutch-Shell interests own the Shell Company in California and the Roxana Petroleum Company east of the Rocky Mountains, that operate extensive producing, refining and marketing properties profitably. Efforts to protect the United States against real or fancied encroachments by Great Britain have resulted in proposed action by several government bureaus looking toward restrictions that will prevent further extension of foreign control in our domestic natural

(*Continued on page* 880)

Mexican Producers in Race Against Salt Water

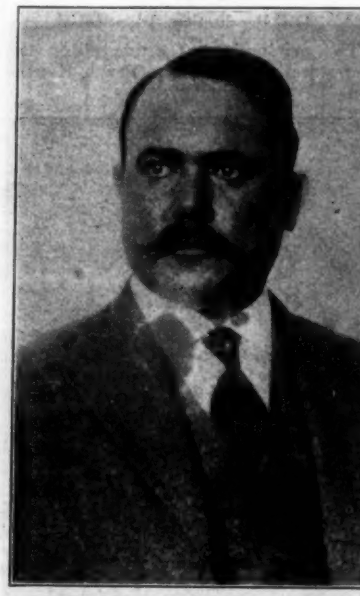
Conference with Obregon Government Results in Hasty Salvage of Diminishing Resources

WHILE no official statement of the details of the conference between leading oil operators of the United States in Mexico and the Obregon government has been given the public, it is pretty well known what was actually accomplished. Prophecies about the actual results to follow the agreements vary according to the degree of personal interest and desire, and due allowance must be made for exaggerated statements. Further allowance must be made for press statements along the line of propaganda intended to minimize suspended development work and rapidly declining production.

An unprejudiced analysis of the agreements will undoubtedly minimize some of the expected results as heralded in newspaper comment and explanation, and it is well, at this time, to lean toward conservatism rather than optimism. To condense the situation into a paragraph, it may be stated, with reasonable certitude, that the only immediate result of the agreements will be the resumption of shipments of crude oil from Mexico as a clean-up protective measure against salt water intrusion. The Obregon government, when shown in detail the exact status of the southern field, must be presumed to have recognized the common sense of realizing on a rapidly-failing resource and thus following true conservation. It must be presumed that, understanding that a suspension of shipments would leave considerable production at the mercy of salt water, the government preferred to lose a little revenue for three months to the only other alternative of losing nearly all revenue; hence a three-months suspension of the increased export tax to enable operators to quickly recover water-surrounded oil at the least cost to owners. Therefore, within an hour after an agreement was reached, several of the largest operators that had suspended all shipments and shut in producing wells wired Tampico headquarters to begin loading every available tanker. The Mexican Petroleum Company had three tankers loaded within thirty-six hours and other tankers moving to Tampico to be loaded. Standard Oil interests also immediately ordered tankers under way for loading terminals. Wells that had been shut in because of danger of salt water will be opened as wide as is prudent and as much oil will be taken from them as quickly as possible, after which they will be abandoned, let the consequences be what they may. With continued suspension the steadily rising salt water will destroy all the wells within the danger zone, and the loss of revenue to the government would be as seriously felt as by the owners of the developed but shut-in oil.

Developed Area Doomed

It is now conceded by practical operators with extended experience in Mexico that the very limited productive area in the Tuxpam district is positively defined and actually drilled up. There is considerable self-deception indulged in by certain interests, but the final results cannot be changed. The published statements that the recent agreement will cause renewed drilling in the defined area are therefore manifestly unwarranted. The operators who must be responsible for the payment of development work, with the exhaustion of that particular producing area so near, will not risk drilling $125,000 wells that must produce approximately 400,000 barrels of 30-cent oil to pay out. Assuming that the average well now drilled in the lower proven field will have an initial production of 25,000 barrels, it would require about twenty days steady production to pay out. Quite a number of the latest completions have showed enough salt water in from seven to twelve days to render further production either impossible under the accepted regulations or undesirable as a conservative commercial venture. The advisability of further heavy expenditures for drilling doubtful wells is consequently narrowed to two fairly well demonstrated alternatives. Common financial prudence suggests a suspension of further drilling in the Amatlan-Zacamixtle district, the Juan Casiano, Naranjos and Alamo pools having already been exhausted.



GENERAL ALVARO OBREGON

President of the United States of Mexico, whose oil conference has dealt with one of Mexico's most delicate problems

The only open and defined area now left north of Cerro Azul hacienda is a narrow strip along the south line of Toteco hacienda, and only three miles south of Zacamixtle town, with a number of failures almost two miles south of Zacamixtle. This narrow strip, with five completed wells along the Toteco line offsetting better wells of the Huasteca Company on the Cerro Azul side of the line, is practically controlled by the Mexican Gulf Company (Mellon) and the International Petroleum Company (Hammond). In backing up to the north from the three south wells two or three locations may dip to the salt water level so distinctly pronounced in the Zacamixtle pool, where practically every location so far drilled has either gone to salt water quickly or showed clear salt water immediately. Admitting that the producing streak widens slightly to the south and the oil level lies higher above the Zacamixtle water level, the differential is so slight as to hold but little hope for prolonged profitable production.

The 50,000-barrel initial production of the International well will exhaust itself quicker than wells of less pressure. The two Mexican Gulf wells near by—the No. 1 making only 10,000 barrels with tools in the hole, No. 2 making only 9,000 barrels—are not especially encouraging when compared with the three Mexican Petroleum wells offsetting to the south that had an initial production of approximately 50,000 barrels each, the Cerro Azul No. 4, now making 50,000 barrels whenever open, completed in 1916 for an initial production of approximately 125,000 barrels. However, none of the Mexican Petroleum Cerro Azul wells are being produced, their production being held in reserve.

This reasonably accurate synopsis of the situation in the Tuxpam district of Mexico will enable the reader to more clearly understand why the recent agreement will not cause a resumption of drilling and an increased production in that area. Natural forces, and not human desire and intentions, now control the situation and their irrevocable operation cannot be deflected or mitigated by even unanimously adopted resolutions of sympathy and condolence.

Control of Production

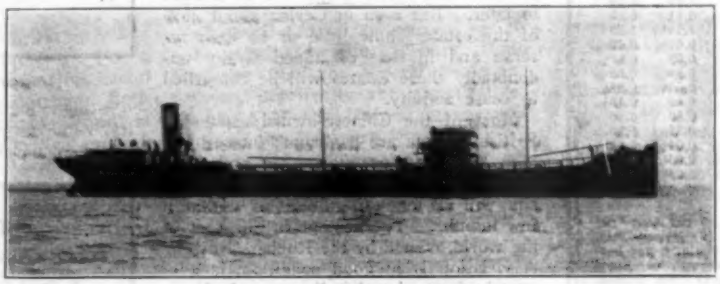
At the zenith of production in the Tuxpam district in January last, eighteen producing interests and organizations were listed officially. Eight of the eighteen producers controlled approximately four-fifths of the output, through larger acreage, pipe lines and loading terminals. Now the potential control of production as it shows at this writing is confined to four major interests—Mexican Petroleum Company, Royal Dutch-Shell syndicate, Mexican Gulf Oil Company and International Petroleum Company. At this writing the Dutch-Shell interests (the Aguila and Corona) lead slightly in moved production, with the Mexican Gulf second and the third position in some doubt. In reserve and actual developed production Mexican Petroleum leads all competitors by a wide margin, although its wells are all shut in. Its four Cerro Azul wells will make 190,000 barrels a day as they stand whenever opened, and by reason of protection against offsets except to the north may be depended upon for sustained production longer than competing wells. Sixteen miles due south of its four Cerro Azul wells the Mexican Petroleum Company has what may be called a wildcat well reasonably estimated at 50,000 barrels initial production, with pipe line connection with its Cerro Azul trunk lines already made. Five

miles slightly southeast of this new Chapapote well Mexican Petroleum has another test well about completed that is showing approximately the same as the Chapapote well, and a good showing about five miles southwest of the Chapapote well, the three wells outlining a triangular pool of considerable area. The Mexican Petroleum Company has practically exclusive control of this twenty-mile area north and south, insuring it a safe and prolonged production that no other company in Mexico now has.

This classification is subject to change whenever new productive territory is explored and developed, but a year or more must necessarily elapse before roads and transportation can be provided after producing wells have been completed; and territory to the south of present production remains wholly conjectural until exploited. The Papantla section west and south of Tuxpam is in immediate prospect, as the Dutch-Shell, Sinclair, Continental Mexican (California) and Island Oil & Transport interests are now drilling there, with probably eight tests now under way. Still farther south, down into the Tabasco and Tehuantepec Isthmus region, leases are being taken and some prospect work will soon be under way. In several tests drilled in the Tabasco country ten years ago by the Pearson interests showing of light oil were found at comparatively shallow depth, but nothing to indicate heavy oil gushers has so far been discovered. It will thus be seen, from this description of existing conditions in Mexico, that the future of the republic's oil industry is somewhat uncertain and dependent upon exploration work yet to be undertaken. Urgent present necessity demands a speedy rehabilitation of production, and the financial interests involved, it is to be presumed, will lose no time in protecting their tremendous investments, as heavy losses will result if constant expansion is not carried on. Standard Oil has invested many millions more than it has taken out, with no hope for future profits in existing proved territory. In fact, Standard Oil is consolidating some of its material for shipment to South America, where it already controls much of the developed and possible producing areas. It is within the range of probability that some of the later companies that have made considerable investments in the small productive area, now about all in, may have trouble in maintaining themselves, having, perhaps, about exhausted their finances. More definite classification must be deferred for a time until the debris is cleared away and invoices can be determined.

Present Operations

A quite notable expansion is that of the Corona Petroleum Company, the direct subsidiary of the Royal Dutch-Shell syndicate in Mexico. This company is approaching completion of a 100,000-barrel refinery on the east side of the Panuco river at Tampico and has completed 10-inch and 8-inch pipe lines from Tepetate to Tampico, about 80 miles. Nearing completion of this large investment, the Corona has little or no production at this writing, but that does not seem to bother the management. The Compania Mexicana El Aguila is stock controlled by the Dutch-Shell, but the original organization of the former Pearson exclusive ownership it maintained separately from the Corona. The Aguila operates a complete refinery at Tampico, has several pipe lines from the lower fields and has not reduced its drilling or shipping. It is doing some wildcatting at Papantla, with half a dozen wells drilling, and is drilling several other tests widely scattered. During all the years of its operations in Mexico the Aguila never bought a barrel of oil from other producers until three months ago, when it took some oil from the Merriweather wells until they went to water, and from the Nelson well in the same section. Its own production of 125,000 barrels a day on Sept. 1 was sufficient for its purposes. The Aguila wells in the Los Naranjos pool have held up fine, but they are likely to succumb before long.



THE LATEST IN TANKERS

Being pressed into service in the rush to get Mexican oil out of the ground before salt water sets in

The Mexican Petroleum Company—or Huasteca, as it is known locally—has resumed operations at its Tampico plant of 100,000 barrels capacity, shut down for several weeks, topping the oil it is now shipping so hurriedly. It has approximately 6,000,000 barrels of oil in storage (one-third of all storage oil in Mexico) at its Tampico tank farm, its own wells are shut in, and it is probably buying about all the crude oil it is moving. What will happen after the agreement period of Dec. 21 next expires is problematical. It may open its wells for as much oil as it needs to maintain its trade in the United States and Great Britain, as it now seems likely that there will be little or no crude oil it can buy after that date. Decline or increase in the oil trade generally may dictate the policy.

The Mexican Gulf Oil Company, with plenty of its own production temporarily, is shipping about 1,000,000 barrels a month, which may later be reduced. The International is moving oil from its Toteco well and is drilling for more. The Indiana Mexican Oil Company (Snowden Bros. & McSweeney), with several wells in on lot 161, adjoining the three Transcontinental wells on lot 148, lower Amatlan, may have considerable oil to sell, or salt water may submerge it. The Transcontinental Oil Company (Standard), and the Cortez Oil Corporation, subsidiary of the Atlantic Refining Company, is completely shut down, its four pipe lines to its Guayaville terminal on the gulf, the topping plant there and its pump station at Tepetate all being idle, with all employees except caretakers having been laid off, leaving only one crew at its long-delayed wildcat test at Aguada, on the Cuchiras river nearly thirty miles northwest of production. This well has been dragging along more than a year, now in the third hole, with four dry holes not far away, located on a 140,000-acre lease. The topping plant has never been in commercial operation. The big pump station of the Transcontinental near Zacamixtle has been idle some time and employees are being laid off and its pipe lines to the Tampico topping plant are idle, as is the plant itself. Tankers are being sent to Tampico to resume shipping to some extent, with the supply of crude oil in sight rather uncertain.

The Atlantic Gulf Oil Corporation (Agwi) is still handling about 20,000 barrels a day, its Amatlan wells having held up remarkably long after adjacent wells were exhausted. Its topping plant at Tecomate on the Gulf, Port Lobos district, just above Tuxpam, is operating three stills of 4,000 barrels each, turning out a good gasoline, and it has been loading more boats than any other company, probably leading all but the Aguila and the Mexican Gulf in August. The Island Oil & Transport Company, locally known as the Metropolitan, has been shipping some oil, but its small topping plant just above the Agwi plant isn't doing anything and its own production is about all in.

The Texas Company has little or no production left, with its Tampico topping plant idle and the Agua Dulce plant opposite Lobos Island turning out only about enough stuff for its own use. It is drilling three wells on lots 162 and 161, two of them nearly down, but one has a bad fishing-job, and salt water has about taken everything in that immediate vicinity. The Continental Mexican Company, subsidiary of the General Petroleum Corporation, California, has a pump station idle at Tepetate and one small producer left, but it is doing some wildcatting. The Sinclair Consolidated Oil Corporation—or Freeport Mexico—has no production left in the Tuxpam district and never had any lines or stations there, but is doing a little exploration work to the south. It still has some production in the Panuco field, where it has lines and river barges to its terminal station at Tampico. The Azteca Oil Company, subsidiary of the Magnolia Petroleum Company and Standard subsidiary, after drilling two good wells, is practically without production in the Tuxpam district, but as the New England Fuel Oil Company in the Panuco field has a little production left. The Tide-Mex. Company has little production left.

Several individual and partnership pro-

(Continued on page 877)

Trade Tendencies

Further Gains in Industry

Metals Show New Life—Railroads and Coal on Upgrade

SPOT PRICES OF LEADING COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

Commodity	1921 High	1921 Low	1921 Last*
Steel (1)	$43.50	$29.00	$29.50
Pig Iron (2)	30.00	18.00	19.50
Copper (3)	0.13¼	0.11⅝	0.12⅝
Petroleum (4)	6.10	2.25	2.50
Coal (5)	3.00	1.80	2.00
Cotton (6)	0.21³/₁₀	0.11	0.21
Wheat (7)	2.04	1.14½	1.19
Corn (8)	0.70½	0.47⅝	0.48½
Hogs (9)	0.11½	0.08	0.08¼
Steers (10)	0.11½	0.08¼	0.08⅝
Coffee (11)	0.08⅝	0.05⅝	0.08¼
Rubber (12)	0.23	0.14	0.15¼
Wool (13)	0.48	0.43	0.43
Tobacco (14)	0.25	0.15	0.22
Sugar (15)	0.06½	0.04¼	0.04¼
Sugar (16)	0.08½	0.05¼	0.05⅝
Paper (17)	0.06½	0.04	0.04

*October 7.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York; c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw, Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

RUBBER

The Necessity of Curtailed Production

Conditions in the crude rubber industry are extremely bad. The low price of the commodity, as a result of the greatly depreciated demand and the enormous world supply, has combined to put this once profitable industry on a money-losing basis. Of the principal rubber-producing countries, British Malaya, Dutch East Indies, and Ceylon, including several others, about 25% of the plantation holdings are in distress; some acreage has been abandoned and probably not more than half the acreage has financial resources back of it to be able to maintain production.

VISIBLE CRUDE RUBBER STOCKS
December, 1920

ASIATIC	Tons
Singapore	25,000
Colombo	5,000
Dutch Indies	15,000
On the Estates	35,000
	80,000
AMERICAN	**Tons**
Held by dealers, etc., and in transit within the U. S. A.	120,000
In Sweden	50,000
In Japan, Canada, Australia, and Europe	20,000
Afloat	40,000
Total	310,000
Add: Increased stocks in 1921 of	30,000
Total, Oct., 1921, all sources	340,000

Conditions vary in different countries. Thus, the Ceylon rubber estates have come through the crisis with little hardship owing to the cheap labor. Most of the estates have avoided an actual operating loss but on the other hand, this has maintained production, a factor which will be alluded to later. But even in Ceylon about 25% of the estates show little or no cash reserve and in case of added strain, undoubtedly these estates will be compelled to cease activity.

Most of the Chinese-owned estates in British Malaya are bankrupt; interest has been defaulted on mortgages and it is likely that a considerable part of this acreage will be out of cultivation within a few months. The acreage in this part of the world, owned by the Rubber Growers' Association is in good condition, is adequately financed and well managed. However, these interests are dependent on an improvement of conditions within a few months and in lieu of this most of them will be left without cash resources.

Of salient importance is the fact that voluntary curtailment of production has not been successful. Despite the powerful reasons to cut production deeply the visible world supply is as great as at any time this year. Probably there are 340,000 tons of rubber in the world today, enough for at least a two-year supply under present conditions. Unless drastic steps are taken to lower the rate of production, the supply in a year's time will be even greater. Under the circumstances, the outlook for an advance in crude rubber prices is very poor.

It is rather a strange development that the rubber growers have not taken more efficient steps to protect their interests. The only hope for this industry is a great decrease in production so that the world visible supply may be proportionately reduced. Despite this necessity, individual growers have maintained this production, led on by the lower labor costs and by the hope that prices might eventually get to a point to make production once more profitable. But with all the rubber planters under the same obsession, the result was obvious. Instead of a decrease in the supply there was an increase, the most unfortunate development possible for this industry.

Many of the rubber plantations are at the end of their rope financially and many others are bound to go the way of bankruptcy within a few months. Estate values have depreciated to a bare percentage of their former levels. There are no buyers for these properties. Obviously only the strongest organizations can remain in the field. Eventually this situation, of course, will find its own corrective. Plantations will fall into decay and the amount of rubber produced will show a large decrease. In the meantime, however, production continues at about the old scale and the outlook is truly deplorable.

COAL

Improvement Imminent

A slight improvement in the coal industry, while as yet of very modest proportions, is nevertheless suggestive that a

THE TREND

STEEL—More progress made. Rate of pig iron production increases. U. S. Steel Corporation at 38% capacity against 35%. Trend of steel products higher. Consumption increases but slowly. Outlook favorable.

METALS—General trend upward. Demand for copper increases. Silver at higher levels. Zinc and lead firm.

OIL—Crude oil prices slightly higher. Refined products, except gasolene, moving in larger quantities. Export trade in better shape. Outlook is for slowly improving conditions.

COAL—Soft coal production on the increase owing to increased public utility, railroad and steel buying. Prices at about lowest but not likely to be advanced much even with the new buying. From the viewpoint of consumption of the commodity, however, the trend is upward.

WHEAT—Prices considerably lower. Tremendous shipments. Europe well supplied for the time being. Outlook for higher prices is not favorable.

COTTON—Very poor Government crop report. Speculative activity in market results in marked fluctuations. Broadly, however, the trend should continue in the direction of higher prices.

RUBBER—High world stocks: disappointing demand. Prices show no resiliency. Tire production commencing to decline. Outlook for near future is not favorable.

MOTORS—Production at lower levels. Season is against large sales. Conditions likely to be dull during the Autumn and Winter montrs.

PUBLIC UTILITIES—Fuel prices lower. Gross and net returns are higher. Outlook for gas, electric light, telephone and power companies generally satisfactory.

RAILROADS—Largest traffic volume this year. All sections report gains, particularly in Middle West and Northwest owing to large grain movement.

SUMMARY—Generally, conditions have improved. The rate of industrial output is higher and unemployment is not so extensive as formerly. Commodities while higher than a few weeks ago are commencing to hesitate but will probably not get down as low as the lowest levels. Conditions are still irregular but should continue to gain slowly but surely.

change for the better is about to occur. Principally, this is owing to the greater pig iron production which has necessitated greater demand for coke and consequently for coal. Under present conditions in the steel and iron industry, consumption of coal is probably 1,000,000 tons weekly below normal. Consequently any improvement in steel and iron production is bound to increase the demand for coal. During the past few weeks the steadily increasing rate of pig iron production has increased coke demand and has necessitated a somewhat greater production of bituminous coal.

The output is now running at something over 8,000,000 tons weekly which is 6% greater than the average amount produced several months ago. Coal prices have not reflected this improvement, principally owing to the fact that other industrial consumers and the railroads are well supplied and are consequently backward about putting in their orders. Prices at the mines are at about the lowest of the year.

The outlook for home consumption is somewhat brighter both on account of the increased rate of activity in the steel and iron industries and on account of the increasing volume of orders placed with the coal people by public service corporations. Other industrial consumers will undoubtedly increase their commitments with an increase in their own business but this is not expected to assume large proportions for some time yet, although the industrial trend is upward.

Great interest is attached to the export market. Under present conditions, this country is not in a position to compete with England and other important coal countries. Our prices are so far above those of competing nations that it is practically impossible for us to do any important amount of business in this respect.

One of the principal barriers is the high

(*Continued on page 874*)

Silver

Orient Buys Heavily

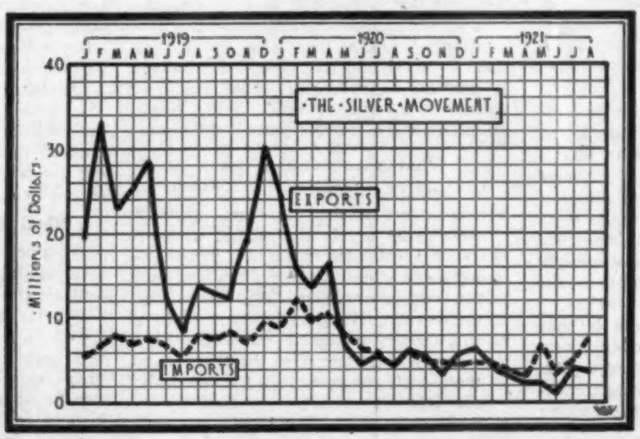
THE silver situation recently has taken on new interest. For a period of nearly a year this metal has been practically dormant. Selling during the intense period of inflation in 1919 and 1920 as high as $1.37 an ounce, by last December it had declined to as low as 40 cents. This was the result primarily of the demoralization in the Orient, which is the principal silver-purchasing factor. The return of silver prices to anything like their old high level therefore is dependent on the economic recovery of the Orient.

For several months it has been apparent that a change was taking place in the economic aspect of China and other Oriental countries. This was reflected in the increase of silver shipments to those places, a circumstance which does not occur ordinarily unless business conditions improve. In the meantime, the price of silver, under the stimulus of Oriental purchasing, has risen about 50%.

At the same time, some of the European countries are resuming the purchase of silver for the purpose of new coinage. Added to the Oriental demand, this has combined to greatly strengthen the statistical position of the metal.

In the United States, conditions are practically governed by the operations of the Pittman Act. Under this Act, the Treasury is obligated to purchase 208,000,000 ounces of silver at the stipulated price of $1.00 an ounce. Of this amount about 35% thus far has been purchased, leaving a balance of about 135,000,000 ounces yet to be acquired by the Treasury. This means that for several years, at least, practically the entire silver output of the United States will go to the Treasury.

A glance at the attached chart shows a very great falling off in exports during the past three years owing to the operations of the Pittman Act, a war measure for the purpose of strengthening Chinese exchanges by means of silver shipments to that country from the United States. With the necessity of supporting Chinese exchange removed and on account of the unfavorable economic conditions in that country from the end of the war until a few months ago, the rate of exports from this country declined perceptibly so that in July last only $1,000,000 was exported —a record low figure.



At the same time, imports have shown a tendency to remain about the same if, indeed, they have not, at times, increased. This has been due to the fact that domestic output of silver was practically consumed in entirety by the Treasury leaving very little for the arts, with the consequence that users of silver for industrial purposes were compelled and still are compelled to depend on foreign parts for the bulk of their silver requirements. This situation must continue with the operation of the Pittman Act. The net result, of course, in combination with buying from Oriental, European and other sources, is to increase the world-demand for the white metal, thereby increasing its price.

Another factor operating on the situation has been the great decline in domestic copper production. Inasmuch as a considerable part of the silver output is a by-product of copper mining, it will be seen that the decline in copper production necessarily lowered the rate of silver production, further strengthening the statistical position.

The Pittman Act, in the opinion of careful observers, is an economic monstrosity. Regardless of this fact, however, unless indeed the Act itself is repealed, it is obvious that as long as the Treasury is obliged to buy domestic silver at the rate of $1.00 an ounce, comparing with a world price of about 70 cents, the domestic producers are in a favorable position. With a further increase in copper production, the latter interests should also profit but under present conditions the main profit is derived by the real silver mines and this condition will continue until the time when the Pittman Act ceases to operate.

Talks With Traders

How Pools Operate—The Time to Do Your Thinking—What Stocks to Select

POOLS are merely groups of men who work together through a manager in a stock market operation, the purpose of which is to realize a profit.

Pools do not always work on the long side—very often they undertake to sell a stock short and to repurchase it at a lower level. Sometimes their plans go wrong and they are obliged to buy at a higher price, and thus take a loss instead of a profit.

Pools generally accumulate their initial holdings over a range of from two to ten points, depending upon the activity of the stock. In a stock like Mexican Petroleum, at least a five-point range, but in some markets a ten-point range would be necessary because that stock moves so erratically over a wide area. When its fluctuations are confined to a three-point range, it is regarded as standing comparatively still.

Prices Vary

A pool cannot acquire all its holdings at the same price. It endeavors to buy on weak days so that it will have the greatest advantage, for it is an old adage that "well bought is half sold." Suppose in recent markets a pool had been formed in * * * Petroleum with the object of accumulating in the neighborhood of 140: Some of the stock might have been bought at this price, but as the price declined as it did toward 134, purchases would have increased so that on the swing down, and the recovery, a very considerable amount of stock might have been bought.

In case the pool did not acquire enough, it would continue these purchases up to, say 145. (I am not saying that this is what happened, but am merely using these figures for the purpose of illustrating the operation.) By the time the stock reached 145, the pool might have had its entire line, and its purchases might have exhausted the greater part of the floating supply between 135 and 145.

The point we wish to make is that accumulation must be done over a certain range, and not at a specified figure. In this a pool is at a disadvantage compared with an individual whose buying or selling is usually at one figure and does not in any way affect the market.

A pool, having taken a long position, is in a position to sell some stock on bulges and replace it on declines, thus marking down the cost of its holdings and increasing the possibility of profits.

How News Counts

Another point to remember about pool operations is that these are rarely undertaken unless some event or condition or bit of news which is expected in the future, or a change in the condition of the industry is of such a nature as to lead the pool to believe that it will be able to dispose of the stock at higher figures. For example, if the oil business is, as it appears, improving, and those in such a pool believe that within a few months, or half a year, conditions will be so much better that a much higher market for this stock will exist, then they would be justified in accumulating around 140.

An operation on the short side of the stock would be conducted on the same principle, except that the members of the pool would probably sell all their long stocks first and then get a short position by keeping the stock within a trading zone of a certain number of points and distributing to any buyers that appeared.

It is for the above reason that trading zones, which we have previously referred to, are quite important, inasmuch as they frequently show preparation for an upward or downward move, and as such can be watched for an inkling as to which way this swing is likely to be.

Points on Accumulation and Distribution

All reports of stock market transactions which appear in tabular or detail form, or which are recorded in any kind of graph, are in the first instance printed on the tape of the stock ticker, and it is there we see the ebb and flow of supply and demand which in the last analysis is the best indicator of what the market will do in the future.

It is one thing to recognize this principle, and another to interpret it into forecasts of the action of leading groups and the securities composing them. Traders should realize that this is a very difficult task and that a forecast is good only so long as nothing appears to alter the circumstances. That is why speculative transactions should always be hedged about by precautions, principally stop-orders, as success is in a great measure the result of the ability to retreat quickly if wrong.

What Accumulation Means

Accumulation, therefore, means that the buying orders at that level are sufficient to absorb the supply that comes in from longs or shorts, either on the stock exchange floor or originating from any part of the country or the world. This buying is significant so long as it lasts—so long as it continues to absorb the selling—but the moment there are signs that the buyers at that level are being filled up and the supply is more than they are willing to take, the stock weakens and the tape shows the result.

Distribution indicates that there is supply at the indicated level which will, if it continues, overcome the demand that presents itself, and so long as this supply is not so overcome by the buying orders that come in from various quarters, the so-called distribution will be effective.

At times, stocks get into what are known as trading areas; that is, they swing back and forth within a radius of a few points without showing any definite trend. This means that the forces of supply and demand are temporarily balanced as a result of either natural or artificial causes. Those designated as natural may be described as fluctuations which would occur if the market were left to itself; that is, if it were allowed to fluctuate without any attempt at manipulation.

Holding in a Trading Area

Pools and large operators who make a profession of trading very often hold a stock within a certain trading area in order to accumulate or distribute, and this is what makes an artificial market at that level.

A stock may be thus held at a low price in order that the pool or the operator may accumulate either for the purpose of covering shorts or taking a position on the long side, or it may be held at a comparatively high price to enable the pool or the operator to dispose of what he has acquired at a lower level. In many cases, however, both his accumulation and distribution is done at a loss; that is to say, neither every pool nor every large operator makes money on every deal. They aim to make more profits than losses, and where artificial supply or support is rendered, the expenses of such operations are quite heavy.

The public neither accumulates nor distributes. Operations of the public consist of many purchases and sales, in amounts varying from one share to a thousand shares—on the average less than 100 shares—and while these transactions by themselves frequently offset each other, they cannot be regarded as either accumulation or distribution, but simply a temporary checking of the price flow.

These periods must be regarded as halting places or points of resistance, which are significant in accordance with what accompanies them, but more particularly what follows. Like a good many other market indications, they are good until contradicted. Buying may be the result of a certain situation which might be suddenly changed owing to a bit of news, a reduced dividend, or some other happening that will induce the public to alter and perhaps reverse its position.

When the Public Takes the Reins

At times the market gets into the complete control of the public to the extent that all the pools and large operators can do is to follow. This occurred several times during the war period and the result was that riotous markets prevailed, prices merely running away in one direction or another. These are difficult markets to follow, although at such times if a person is right, his prospective profit is much larger than in a more normal market.

No definite rule, sign or other phenomena mark the beginning or end of the area of accumulation or distribution, but certain stocks actually display "symptoms" that often give clews to the intentions of market sponsors. Where accumulation is the object, this process is (very obviously) done in a guarded manner: hence the volume of trading (number of share) per day or per week is kept within certain well-defined limits. If the general market is downward, purchasing is done upon a scale downward, bids for the stock being lowered, as the market average falls as a whole: and raised as the average advances. When the volume per day or week of

the particular stock under accumulation rises, accompanied by higher prices, it shows that the influence of the buying orders by interested parties is making itself felt. An unusual volume of transactions often marks the end of the accumulation period, particularly if the average price level gets into a low area. Conversely, the distribution point is often reached on excessive volume, and churning at or around the highest price reached for the movement. Some time ago Studebaker at 78-80 on sales of over 100,000 shares showed a halting place. The stock immediately declined to around 72, either as a result of preliminary distribution, or outside profit-taking and short-selling pressure.

"Don't Buck the Trend"

It almost looks like elementary advice to counsel people to go *with* the market instead of against it, yet the suggestion is so sound and important that it is worth repeating. It oftens happens that the exercise of plain horse sense is the most important ingredient in business, investment, or speculation: yet we find a disposition on the part of a good many to avoid "the obvious."

The other day, a trader asked for telegraphic advice as to his short trades in Studebaker (sold about 30 points lower). He had worked himself into an impossible position by disregarding what was almost obvious in Studebaker 30 points lower—namely that it had been sold out and sold short to a standstill (to use the vernacular); and that going short at very low figures was at least hazardous.

It does not pay to be cynically bearish, incredulous as to a stock's possibilities, nor to "buck the trend." It is a good thing to calculate mentally that a stock can go *anywhere*, up or down: and—at the time you make your trade—weigh all the possibilities on both sides. If a stock shows symptoms of wishing to go up, it is better to go with it. Guesswork along these lines protected by a stop order is a less heinous offence in Wall Street, than bucking the trend. Pay very close attention to investment qualities when you make up your mind to buy for investment, but do not take chances on the worthlessness, lack of merits, or alleged demerits of a stock when it commences to rise and on the strength of it proceed to sell short without stops.

You never can tell who is buying, why the buying is taking place, and whose money is backing the belief that the stock is more valuable than you think! To sell short against an uptrend, or to buy a speculative issue on a decline is the equivalent of making a bet with those who probably know more about the inwardness of it than you do. The latter, however, are protected by greater resources and absolute firsthand knowledge: and even if they are wrong they are able to see it through.

Buy a stock when it wants to go up: sell it when it feels inclined to go down. Protect your judgment by a stop loss order until the time comes when you know your judgment to be perfect. At that time, *use more stops.*

The "Marking Up" Stage

The New York *American* of May 9, 1921, had some good charts on the course of the industrial and rail market since 1914, and the opinion was given that trend of the market was upward. This journal pointed out clearly how in a rising market each reaction is followed by a more vigorous rally, and described the period under consideration as "a trader's market."

We believe the latter term is becoming rather too general and likely to be misunderstood. As we understand it, such a market is one where the public stands aside, on the whole, neither buying nor selling on any general scale. During such a market, which may last weeks, and even many months (as in 1918) stocks are accumulated carefully by various interests, pools, syndicates and other operators, with the object of selling later at a considerable profit. It is customary for pools and large operators in such markets to take reasonable profits on the bulges, and repurchase on the spells of weakness which accompany the process of marking up. These intermediate profits help to "mark down" the cost of the original lines, give the operators temporary profits, the ability to repurchase on declines, and above all help to keep its funds in more or less liquid shape.

Together with this operation, is the knowledge that the public as a whole is rather partial to buying dear and selling cheap. The public will not be convinced that they are "going up" until stocks have already advanced handsomely, and market interests seek to raise the level of prices all around to create an atmosphere of cheer, optimism, and hope that much higher prices are in sight. In a way, the marking up stage is a process of underpinning various issues by supporting orders, purchases, advertisements, publicity, etc., until very many stocks are much higher. Reactions brought about by technical conditions or developments are used by professionals in the initial stage to buy again. Later on, at much higher prices, if the public will not purchase at the highest prices, the reactions look very attractive to them: and distribution probaboly takes place at such a level. Eventually, the public takes hold: and finally it controls the market. The latter more often than not develops into "a runaway market" which is usually a good thing to stay out of.

The "marking up" stage is nearly always followed by a much better market, and a sustained upward swing. The latter develops into a form of bull market, depending whether or not the public comes in on a large or small scale. The scope and extent of the bull market depends on world-wide conditions, and public belief in their permanence. Hence, it is almost impossible to forecast with absolute precision that a bull market will arrive at any definite time, nor how long it will last, because in the last analysis it will depend on your opinion, my opinion, our opinion, and his opinion—*at that time.*

What to Trade In

As a rule it is best to do your trading in the standard speculative leaders and not in the inactive issues which can be violently moved around, often contrary to the general course of the market.

Your purpose should be not to endeavor to catch the small fluctuations, but the main moves of 5 to 20 points. This is because there is no money for the outside trader who jumps in and out of the market several times a day, or every day or two. The handicap of commissions, interest, tax and what we originally designated as the "invisible eighth," or fraction, representing the difference between bid and asked prices, is too great to be overcome. That is why trading for the principal swings up and down of which there are 25 to 50 during the year, depending upon the influences which affect the market, is advocated.

Also: Traders should not spread themselves throughout the list, without good reason. In particular, we do not favor the general practice of speculating in volatile stocks like Houston Oil, Middle States, Vanadium, Replogle, Crucible, and others on that order. The investor who buys 500 General Asphalt on a 20 or 30 point margin, or who sells it short, is obviously speculating without a good foundation, and is inviting desaster in the long run.

Should I Do It?

The time to ask "Should I do it?" is before the trade is made. Another thing to remember: in stocks of this character it is difficult to forecast the trend, and even if we are right, we are unable to give warning at this distance, of an apparent change of tactics that might come suddenly. To illustrate: General Asphalt some time ago was under distribution, and trend downward. The pool in this stock might have found offerings scarce below 50 and decided to "run in the shorts." How successful they might be even they can only partly judge. The result might exceed their own anticipations, and in place of a 5 to 10 point "run in" it might extend to 20, because they might get unexpected support either from traders, large investors, or even another independent pool. The latter, sometimes called a "bob-tail" pool, can be formed any day, and might even work opposite to the intentions of the main market sponsors.

The same thing happens in almost any stock under special influence, and while broadly the main trend of a stock does not reverse itself suddenly, inexperience with these facts and factors leads to large losses in the so-called "specialties."

The reason: Operators in the leading stocks work in a more regular way, and with better defined plans than can be appraised and weighed in advance by the technician. It is almost impossible, for example, to alter the main trend of the leading stocks like U. S. Steel, Beth. Steel, Reading, Union Pacific, Southern Pacific, etc., without warning to us. Traders will therefore secure better and more uniform results in the long run by confining all their attention:

For speculation: To the leading seasoned speculative issues.

For investment: To investment issues on the order of Atchison, General Electric, Woolworth, Harvester, etc.

The same broad rule applies to the low priced more speculative stocks like Rock Island, Missouri Pacific, Middle States oil. It is best to choose the stabler kind, and to avoid specialties.

Note, that the time to worry about speculation is before you commence to speculate. Let wisely placed stops do your worrying for you thereafter.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-20		1921		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Oct. 6	Share
Atchison	125¾	90¼	111¼	75	104	76	87¼	76¼	86¼	6
Do. Pfd.	106⅜	96	102½	75	89	72	81⅞	75⅛	81½	5
Atlantic Coast Line	148½	102½	126	79⅞	107	82	89¼	77	84¼	7
Baltimore & Ohio	122¼	90⅞	96	38¼	55¼	27⅞	42⅞	30⅞	38⅞	..
Do. Pfd.	96	77¼	80	48¼	59½	33¾	54	47	51⅞	4
Canadian Pacific	283	165	220⅜	126	170⅞	109⅞	119¼	101	112⅞	10
Chesapeake & Ohio	92	51½	71	35⅞	70⅞	47	65½	46	55	..
Chicago Great Western	36⅞	1¼	17½	6	14½	6⅞	9½	6⅞	7½	..
Do. Pfd.	64½	28	47½	17½	33⅞	15¼	20⅞	14	‡16¼	..
C. M. & St. Paul	165½	96⅞	107⅞	35	52⅞	21	31	22	25½	..
Do. Pfd.	181	130½	143	62½	76	36⅞	46⅞	32	39⅞	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	71	60½	69⅞	5
Chicago R. I. & Pacific	..	..	45⅞	16	41	21½	35	22⅞	33¼	..
Do. 7% Pfd.	..	..	94⅞	44	84⅞	64	80	68⅞	‡79	7
Do. 6% Pfd.	..	..	80	35⅞	73	54	68¼	56½	67⅞	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅞	21	61	31⅞	48	32	‡39½	..
Delaware & Hudson	200	147½	159⅞	87	116	83¼	104½	90	‡101½	9
Delaware Lack. & W.	340	192½	242	160	260½	165	249	93	106⅞	6
Erie	61½	33½	59½	18⅞	21⅞	9½	15¼	11⅞	13⅞	..
Do. 1st Pfd.	49⅞	26¼	54⅞	15⅞	33	16¼	22⅞	16½	19⅞	..
Do. 2nd Pfd.	39⅞	19½	45⅞	13½	23⅞	12	15⅞	11½	‡13¼	..
Great Northern Pfd.	157⅞	115½	134⅞	79¼	100⅞	65⅞	79⅞	66	73⅞	7
Illinois Central	162½	102⅞	115	85⅞	104	80⅞	98	85½	95½	7
Kansas City Southern	50⅛	21⅞	35½	13½	27¼	13	28⅞	18½	25⅞	..
Do. Pfd.	75½	56	65½	40	57	40	52	45½	‡50⅞	4
Lehigh Valley	121¼	62½	87½	50⅞	60⅞	39⅞	59⅞	47½	56⅞	3½
Louisville & Nashville	170	121	141⅞	103	122⅞	94	118	97	‡108	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	8½	14¾	7½	8	..
Mo. Kansas & Texas	51½	17½	24	3½	16⅞	2¼	3	⅞	1½	..
Do. Pfd.	78½	46	60	6½	25½	3⅞	5⅞	2½	2⅞	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	23¼	16	19¼	..
Do. Pfd.	..	..	64⅞	37½	58⅞	33⅞	43⅞	33½	42½	..
N. Y. Central	147⅞	90⅞	114¼	62½	84¼	64¼	74½	64⅞	73½	5
N. Y. Chicago & St. Louis	109⅞	90	90⅞	55	65	23⅞	61½	39	54¼	5
N. Y. N. H. & Hartford	174⅞	65⅞	89	21½	40⅞	15¼	23½	12⅞	14	..
N. Y. Ont. & W.	55⅞	25½	35	17	27⅞	16	23¼	16	22⅞	2
Norfolk & Western	119¼	84¼	147½	92⅝	112½	84¼	104⅞	88⅝	‡95⅞	7
Northern Pacific	159⅞	101⅞	118⅞	75	99⅞	66⅞	88¼	61⅞	77	7
Pennsylvania	75⅞	53	61½	40¼	48½	37⅞	41⅞	32⅞	38⅞	2
Pere Marquette	*36½	*15	38½	9½	33½	12⅛	23⅞	15⅞	19⅞	..
Pitts. & W. Va.	..	..	40⅞	17⅞	44⅞	21⅞	32	24⅞	‡25	..
Reading	89⅞	59	115⅞	60¼	103	64⅞	80¼	60⅞	71⅞	4
Do. 1st Pfd.	46⅞	41¼	46	34	61	32⅞	55	36⅞	43⅞	2
Do. 2nd Pfd.	58⅞	42	52	33⅞	65½	33½	57⅞	38⅞	43½	2
St. Louis-San Francisco	*74	*13	50⅞	21	31⅞	10⅞	25⅞	19⅞	23⅞	..
St. Louis Southwestern	40⅞	18⅞	32⅞	11	40	10⅞	30½	19⅞	‡23	..
Do. Pfd.	82⅞	47⅞	65⅞	28	49⅞	20⅞	41	28	‡32	..
Southern Pacific	139⅞	83	110	75⅞	118⅞	88	101	67⅞	78⅞	6
Southern Ry.	34	18	36⅞	12⅞	33⅞	18	24⅞	17⅞	20⅞	..
Do. Pfd.	86⅞	43	83⅞	42	72⅞	50	60	42	46⅞	..
Texas Pacific	40⅞	10¼	29⅞	6½	70⅞	14	27½	16⅞	22⅞	..
Union Pacific	219	137⅞	164⅞	101¼	138⅞	110	133⅞	111	121⅞	10
Do. Pfd.	118⅞	79⅞	86	69	74⅞	61⅞	68	62⅞	66⅞	4
Wabash	*27⅞	*2	17⅞	7	13⅞	7	9	7	7⅞	..
Do. Pfd. A	*61¾	*6½	60½	30⅞	38	17	24½	18	20⅞	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	15½	12⅞	‡12½	..
Western Maryland	*56	*40	23	9¼	15⅞	8⅞	11½	8⅞	‡9¼	..
Western Pacific	..	..	25½	11	40	17	30⅞	20¼	22⅞	..
Do. Pfd.	..	..	64	35	78	52½	70½	58	‡60	6
Wheeling & Lake Erie	*12⅞	*2½	27⅞	8	18¼	7⅞	11⅞	7½	8½	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅞	42¼	55½	34	45	4
Do. Pfd.	..	..	..	..	92½	84⅞	93⅞	83	89⅞	7
Allis Chalmers	10	7⅞	49½	6	53⅞	26½	39¼	28¼	33⅞	4
Do. Pfd.	43	40	92	32½	97	67½	83	67½	‡72	7
Am. Agr. Chem.	63⅞	33¼	106	47⅞	113⅞	51	65½	26⅞	34¼	..
Do. Pfd.	105	90	103½	89½	103	79	84	51	61¼	..
Am. Beet Sugar	77	19⅞	108½	19	103⅞	32⅞	51	25⅞	‡26½	..
Am. Bosch Mag.	..	..	..	..	143⅞	45½	65¼	29¼	‡34	..
Am. Can.	47⅞	6⅞	68½	19¼	68⅞	21⅞	32⅞	23⅞	27⅞	..
Do. Pfd.	129½	62	115⅞	80	107⅞	72⅞	88	76⅞	82	7
Am. Car & Fdy	76½	36½	98	40	148⅞	84½	133	115¼	‡128	12
Do. Pfd.	124⅞	107½	119½	100	119	105⅞	114	109	110	7
Am. Cotton Oil	79½	33½	64	21	67½	15¼	23⅛	15⅞	18⅞	..
Do. Pfd.	107½	91	102¼	78	93	59½	67	35½	‡42	..
Am. Drug Syn.	..	..	..	..	15½	6⅞	8⅞	4¼	5	..
Am. Hide & L.	10	3	22½	2½	42½	5	12⅞	8	10⅞	..
Do. Pfd.	51⅞	15½	94⅞	10	142⅞	35	57⅞	40⅞	49⅞	..
Am. Ice	..	..	49	8⅞	76½	37	61	42	60	6
Am. International	..	..	62⅞	12	132¼	30⅞	58⅞	21½	22⅞	..
Am. Linseed	20	6⅞	47⅞	20	95	42	62½	17	22¼	..
Am. Loco.	74⅞	19	98¼	46⅞	117½	58	93¼	73½	‡89	6
Do. Pfd.	122	75	109	93	109⅞	96½	107¼	97¼	‡105	7
Am. Safety Razor	..	..	..	..	22	6½	10	3½	4⅞	..
Am. Ship & Com.	..	..	..	..	47½	7⅞	14	4½	5⅞	..
Am. Smelt. & Ref.	105½	56⅞	123⅞	50¼	89⅞	29¼	44⅞	29⅞	38⅞	..
Do. Pfd.	116⅞	98½	118½	97	109⅞	64½	83	63½	76	7
Am. Steel Fdys.	74½	24½	95	44	50	26	31⅞	18	24⅞	3
Do. Pfd.	..	..	..	..	96½	79½	91	78	80½	7
Am. Sugar	136⅞	99⅞	126⅞	89½	148⅞	82½	96	53½	54⅞	..
Do. Pfd.	133½	110	123½	106	119	97⅞	107¼	73½	73⅞	7
Am. Sumatra Tob.	..	..	145⅞	15	120½	65	88	34⅞	36½	..
Do. Pfd.	..	..	103	75	105	79	91	70½	‡65	7
Am. Tel. & Tel.	153½	101	134½	90⅞	108⅞	92⅞	108½	95⅞	107⅞	9
Am. Tobacco	*580	200	258	123	314½	104¼	129⅞	111½	123½	12
Do. B	..	..	..	..	210	100⅞	127⅞	110	122	12
Am. Woolen	40⅞	15	60⅞	12	169½	55½	82¼	57	74¼	7
Do. Pfd.	107⅞	74	102	72½	110⅞	88½	96	93	‡96	7
Anaconda	54⅞	27½	105⅞	24½	77⅞	30	43½	31⅞	40⅞	..
At. Gulf & W. I.	13	5	147⅞	4½	192⅞	71½	76	18	26½	..
Do. Pfd.	33	10	73⅞	9⅞	76⅞	42	44½	15⅞	20½	..
Baldwin Loco.	60⅞	36½	154½	26⅞	156¼	64⅞	94½	62¼	86	7
Do. Pfd.	107½	100½	114	90	111⅞	92	102½	95	‡96	7
Bethle. Steel B.	*51⅞	*18⅞	155½	59⅞	112	48⅞	65	41½	53⅞	5
Do. 7% Pfd.	80	47	186	68	108	90	93½	87	‡90½	7
Do. 8% Pfd.	..	..	110½	92½	116	99¼	107½	98⅞	98⅞	8
Calif. Packing	..	..	50	50	87½	48¼	67⅞	58⅞	65	6
Calif. Petro.	73½	16	48⅞	8	56⅞	15⅞	49⅞	25	33⅞	..

Active Stocks' Price Range

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-20 High	Post-War Period 1919-20 Low	1921 High	1921 Low	Last Sale Oct. 6	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	29½	86⅜	63	79	63½	76	7
Central Leather	51⅞	16½	123	25⅛	116½	30¼	43¼	22⅝	27⅝	..
Do. Pfd.	111	80	117½	94⅞	114	80¼	96	57⅛	63	..
Cerro de Pasco	..	..	55	25	67½	24¼	32½	23	29⅝	..
Chandler Mot.	..	..	100⅝	56	141½	59⅝	86	39⅝	40	6
Chile Copper	..	..	30¼	11⅛	29⅛	7⅛	12⅝	9	11⅝	..
Chino Copper	50⅝	6	74	31⅞	50⅝	16⅝	27¼	19⅛	25⅝	..
Coca Cola	..	..	..	..	42⅝	18	37⅝	19	34⅝	..
Colum. Gas & E.	..	..	54½	14¼	69	30¼	63	52	61	6
Columbia Graph.	..	..	*166	*97	75¼	9	12⅝	2⅝	4⅛	..
Consol. Cigar	..	..	..	..	80	51½	61	21½	‡26	..
Consol. Gas	165¼	114½	150½	112⅛	106⅝	71⅝	91⅝	77½	90	7
Corn Prod.	26½	7⅝	50⅛	7	105¼	46	79	59	76	6
Do. Pfd.	93½	61	113½	58⅛	100⅝	97	107½	96	105⅝	7
Crucible Steel	19⅝	6½	109⅝	12¼	278½	52½	107½	49	62	4
Cuba Cane Sugar	..	..	70⅝	24⅛	59⅝	16½	26	5⅝	6⅝	..
Cuban Am. Sugar	*58	*33	*273	*38	*605	21½	33½	11	11⅞	..
Fisk Rubber	..	..	..	..	55	10	19⅝	8⅝	10½	..
Freeport Tex.	..	..	70½	25⅝	64⅝	12½	20½	9½	14	..
Gen'l Asphalt	42⅝	15½	39⅝	14¼	160	32½	78⅝	39½	58⅝	..
Gen'l Electric	188½	129⅝	187⅛	118	176	116½	188⅝	109½	124	8
Gen'l Motors	*51⅝	*25	*850	*74½	42	12⅝	16¼	9⅝	9⅝	1
Do. 6% Pfd.	..	..	89½	72⅝	95	64½	72	63	64½	6
Do. 6% Deb.	..	..	..	..	94⅝	58⅝	70⅝	60	‡62	6
Do. 7% Deb.	..	..	..	..	94	69	82	69	72	7
Goodrich	86½	15½	80¼	19⅝	93⅝	27	44½	26⅝	31	..
Do. Pfd.	109⅝	73⅝	116⅝	79⅝	109½	70	85	62½	‡75	7
Gt. Nor. Ore	88½	25½	50⅝	22⅛	52⅝	24⅝	32½	25⅝	28	4
Haskell-Barker	..	..	54½	27⅛	78¼	40	61⅝	50½	58	4
Houston Oil	25½	8⅛	86	10	116½	55¼	86	40½	57⅝	..
Hupp Motors	..	..	11⅝	2⅛	23¼	4⅝	16⅝	10⅛	11¼	1
Inspiration	21⅝	13⅝	74⅝	14½	68⅝	28	37⅝	29⅝	35⅝	..
Inter. Mer. Mar	9	2½	50⅝	⅝	67⅝	10¼	17¼	7⅛	10⅝	..
Do. Pfd.	27⅝	12½	125⅝	3	123½	44	63⅝	36	47	6
Inter. Nickel	*227½	*136	57½	24½	33⅝	11½	17	11⅛	12⅝	..
Inter. Paper	19⅝	6½	75½	9½	91⅝	30⅛	73⅝	38⅝	47⅝	..
Invincible Oil	..	..	..	..	47¼	19	26	5⅛	11⅝	..
Island Oil	..	..	..	..	7⅛	4	4⅝	2	2⅛	..
Kelly Springfield	..	..	85¼	36⅝	164	35½	54⅞	32½	41⅝	..
Do. Pfd.	..	..	101	72	110¼	75	94	70¼	70	8
Kennecott	..	..	64⅛	25	43	14⅝	22⅝	16	21	..
Keystone Tire	..	..	46½	11	126⅝	13½	17⅝	8¼	10	..
Lackawanna Steel	55½	28	107	26½	107⅝	45	58⅛	32	40⅝	..
Loews, Inc.	..	..	..	..	38⅝	14½	21½	10	13½	..
Loft, Inc.	..	..	..	..	28	9⅝	12⅝	7⅝	9⅝	1
Mexican Pet.	90½	41⅝	129⅝	46½	264	148	167¼	84½	94	12
Miami Copper	30¼	12⅝	49⅝	16⅝	32⅝	14½	24	15⅝	20⅛	2
Midvale Steel	..	..	98½	39½	62½	23⅝	33½	22	24⅝	..
Nat'l Lead	94	42½	74⅝	44	94½	63½	81	67⅝	76	6
Nevada Copper	20	12	34⅛	10¼	21⅝	8	13½	9	11⅝	..
N. Y. Air Brake	98	45	186	55⅝	145⅝	66	69	47½	61	5
N. Y. Dock	40¼	8	27	9⅛	70⅝	16½	39	20⅝	26	2½
North American	*87⅝	*60	*81	*38⅝	*67	*67	41	32⅛	40⅝	3
Do. Pfd.	..	..	..	..	..	..	36½	31⅞	35½	3
Pacific Oil	..	..	..	..	41⅝	35	41½	27½	37⅛	1½
Pan Amer. Pet.	..	..	70⅝	35	140⅛	67	79⅝	38½	43	6
Do. B	..	..	..	..	111⅝	64½	71⅝	34½	39½	6
Philadelphia Co.	59⅛	37	48⅝	21½	48	30	35½	26½	29⅝	3
Phillips Pet.	..	..	..	..	44½	26⅝	31½	16	25⅝	..
Pierce Arrow	..	..	65	25	99	15	42¼	9⅛	10	..
Do. Pfd.	..	..	109	88	111	59	88	21	22½	..
Pittsburgh Coal	*29⅝	*10	58⅝	37½	74⅝	45	64⅝	52	58⅝	5
Pressed Steel Car	56	18½	88¼	17⅛	113⅝	59	96	48	57⅛	..
Do. Pfd.	112	88½	109½	69	106	90¼	104	80	‡85½	7
Punta Aleg. Sug.	..	..	51	29	120	40	51½	25	27	..
Pure Oil	..	..	143⅝	31⅞	61⅝	29⅝	36⅝	21½	26¼	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	68½	90⅛	67	84	8
Do. Pfd.	111⅝	90½	165½	75	112	92½	109	98	‡109	7
Ray Cons. Cop.	27½	7½	37	15	27⅛	10	15	11	13⅝	..
Replogle Steel	..	..	..	..	93½	30	30½	18	‡23	..
Republic I. & S.	49½	15⅝	96	18	145	55¼	73¼	41½	51½	..
Do. Pfd.	111¼	68½	112⅝	72	106⅝	84	96¼	79⅝	81⅝	7
Republic Motors	..	..	77	31	74½	16⅛	24½	8	8½	..
Royal Dutch N. Y.	..	..	86	56	123⅝	49½	60⅝	42½	44⅝	5.20
Shell T. & T.	..	..	..	..	90½	33½	40	32	30⅝	.74
Sinclair Con. Oil	..	..	67½	25⅛	64¼	20	26⅝	16½	20⅝	..
Sloss Shef. Steel	94⅝	23	93⅛	19⅝	89	42	56	32½	‡27	..
Stand. Oil N. J.	*448	*322	*800	*355	212	142½	167⅛	124½	‡141½	5
Do. Pfd.	..	..	..	..	113⅝	100⅛	110	105⅛	107⅛	7
Stromberg Carb.	..	..	45¼	21	118¼	22½	46	25½	29½	..
Studebaker	49½	15⅝	195	20	151	37⅝	93¼	42⅝	71⅝	7
Do. Pfd.	98⅛	64½	119½	70	104½	76	97½	83	‡94	7
Superior Steel	..	..	96	30½	60	32	48	26	‡28	..
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6¼	10⅝	6⅝	7⅝	..
Texas Co.	144	74½	243	112	57⅝	40	45	29	36½	3
Tex. Pac. Coal & O.	..	..	..	..	195	22	36⅝	15⅝	22⅝	1
Tobacco Prod.	145	100	82⅝	25	115	46	72	45	62¼	6
Transc'al O.	..	..	..	..	62⅝	5⅝	13	6	8½	..
United Fruit	208½	126½	173	105	224⅝	157	207	95⅝	108	8
Un. Retail Stores	..	..	..	..	119⅛	45¼	62⅛	46⅝	49⅝	6
U. S. Food Prod.	41⅝	9⅝	64⅝	5⅛	91⅝	15	27⅛	8½	12⅛	..
U. S. Ind. Alco.	57⅛	24	171½	15	167	56½	74⅛	42⅝	44	4
U. S. Rubber	69½	27	80½	44	143⅝	53	79⅝	40½	48⅝	..
Do. Pfd.	123⅝	98	115¼	91	119¼	95½	103⅝	74	92	8
U. S. Smelt. & R.	59	30⅝	81½	20	78¼	39½	35½	26	34	..
U. S. Steel	94⅝	41¼	136⅝	38	115⅝	76⅝	86⅝	70⅝	79	5
Do. Pfd.	131	102½	123	103	117⅛	104⅛	112	105	110⅝	7
Utah Copper	67½	38	130	48½	97⅛	44⅛	59½	41⅛	52½	2
Vanadium	..	..	..	..	97	28½	41	25⅛	30⅝	..
Va.-Caro. Ch.	70⅝	22	60⅛	15	92⅛	24⅝	42½	20⅝	29⅝	..
Do. Pfd.	129⅛	98	114½	80	115⅝	88⅝	102⅝	57⅝	74½	..
Western Union	86⅛	56	105½	53⅝	92⅛	80⅛	94	76	‡84	7
Westinghouse Mfg.	45	24⅝	74⅝	32	59⅝	40	49⅝	38⅝	44⅝	4
White Motors	..	..	60	30	86	30½	44	29¼	‡34	4
Willys Overl'd	*75	*50	*325	15	40⅛	5⅛	10½	5¼	5⅝	..
Wilson & Co.	..	..	84⅛	42	104⅝	36⅝	47	31	‡34	..
Woolworth	117⅝	76⅛	151	81½	186⅝	100	117½	105	114⅝	8

*Old stock. ‡Bid price given where no sales made.

Readers' Round Table

SUGGESTIONS FROM A READER

EDITOR'S NOTE:—The following suggestions are made by a subscriber who, while conscious of the merits of THE MAGAZINE, nevertheless realizes, as we do, that there is always room for improvement. Several of the suggestions contained herein we hope to follow as soon as conditions make this possible. We would be very glad, indeed, if other subscribers would come forward with suggestions of their own. In that way [illegible] all help to make THE MAGAZINE a more perfect thing—an ideal toward which we are always striving.

Editor, THE MAGAZINE OF WALL STREET:

Sir:—I wish to comment on James J. Kirwan's article on "The Railroads," appearing in the August 6 number of THE MAGAZINE. I might state that my delay in so doing is due to the fact that I read the article while still in Alaska, where outside literature is usually a month behind time. His method in working up the article is something out of the ordinary, and its scope and value are considerably above the average, provided, of course, his statements are reasonably accurate. An article of this sort appearing, say, quarterly would be a decided asset to THE MAGAZINE.

I also noted your remark that the stock range list appearing recently is more or less an experiment. Personally, I believe it should be taken out of the experiment class and made a permanent feature. Speaking for myself alone, and possibly for a great many other subscribers who may hold the same opinion, the appearance of these quotations has added considerably to the value of THE MAGAZINE for me. I dare say that I am not the only subscriber who desires to keep on file records of certain groups of stocks marketwise, and their appearance in THE MAGAZINE eliminates the necessity of keeping written records, or newspaper clippings.

It has always seemed to me that while your Trend Department has been very satisfactory, it is still not as complete as it might be. I fear that I am making myself appear insatiable, but I am confident that you recognize better than anyone else the value of an exhaustive report of business conditions appearing in every issue. Frankly, it is my opinion that that the present amount of information along these lines given in your columns is hardly more than 75% complete. A good many statistics not yet appearing in THE MAGAZINE, which might be of considerable value to many of the readers, could be included without disadvantage to other departments. I have in mind a more comprehensive fund of information on banking statistics, and particularly a list of commodity prices, in the basic industries. This in connection with the Trade Tendency department would be of very great benefit. It is true that similar information has appeared from time to time in THE MAGAZINE, but it has been scattered among articles on individual subjects and as "fillers" in the back pages. It seems to me that the same information consolidated into one-page or double-page form, and in uniform order, from month to month, would increase the value of THE MAGAZINE to the readers not a little. The information thus presented could be utilized by the investor in forming his own opinions of the market and in this way the real value of the apparently superfluous statistics would demonstrate itself.

Hoping that you will not consider that I have been too free with your invitation for suggestions, I am,

Very truly yours,
F. P. C.

THE ABILITY OF GERMANY TO PAY

Skepticism Seems Warranted

Editor, THE MAGAZINE OF WALL STREET:

Sir:—For over a year many of us who had invested in German marks and securities—having had faith in the ultimate ability of that country to recover from the devastating effects of the war, and more particularly having had faith in her ability to pay the Reparations account, and still maintain financial stability—have seen the value of our holdings grow less and the prospects of a recovery of the same to the approximate figures at which we made our investment grow more dim with each passing week, and we are beginning to lose courage. Frankly, speaking for myself, I am despondent over the outlook, and I have practically resigned myself to the inevitability of writing off a fairly large loss. However, I am in a position to stand this more or less easily and my present interest in the matter is confined not so much to the ability of the German mark to recover—which seems a hopeless prospect—but to the actual financial situation of Germany, and whether or not in your opinion she is able to meet payments on the Reparations. It would be very interesting to get your viewpoint.

Very truly,
A. L. G.

It would seem a wise course in your case and in the case of others in a similar position to discount the eventual passing of the German mark into the territory more recently assigned to the Austrian kroner and Russian ruble. There are many basic conditions pointing to such a conclusion. In this connection we should like to call your attention to an unusual article on the subject of German finances by John C. L. Dreier, appearing in another section of this issue. This explains specifically the actual condition of German finances as recently constituted and will perhaps answer part of your question.

As to the ability of Germany to maintain her reparations obligation and still carry on industrially, the conclusions of most unbiased observers appear to be that under present conditions it is impossible. The recent collapse of the mark would seem to signify that there is much skepti-

cism as to the ability of Germany to pay the amount demanded of her in the last agreement. Furthermore, the partial disruption of German economic life, occasioned by the French occupation of important Rhenish districts, and the Polish occupancy of Danzig and other important localities, has seriously limited the ability of Germany, not only to pay the Reparations on the present basis, but has severely affected her ability to recover industrially. Undoubtedly a drastic change will have to be made in the Reparation agreement or the final bankruptcy of Germany cannot be far off. (Editor.)

LONG OR SHORT-TERM SECURITIES?

An Interesting Viewpoint

Editor, THE MAGAZINE OF WALL STREET:

Sir:—It is with considerable interest that I have observed what seems to be an editorial policy on your part, advocating the purchase of long-term securities over against those of short-term duration. It appears to me that while, on the whole, your line of reasoning is sound and certainly, at least up to the recent past, the high-yield long-term securities were more attractive than short-term obligations of the same yield, conditions would warrant a more favorable attitude toward the latter. It may be that many of the short-term issues recently put out, or put out within the last year, are not so well-secured as old-line bonds, especially railroad bonds and those of industrials in good standing, nevertheless there are many of them, such as the various Standard Oil issues, the equipment trusts and others of similar rank yielding from 6½ to 7%, that are well worth considering for investment. It is true, as you have somtimes stated, that the chief drawback to the short-term issue is that upon redemption the investor would be faced with the problem of reinvestment of his funds at what may well be a generally lower interest rate.

Assume that a bond yielding about 7% has ten years to run. The holder receives a return of 7% for 10 years and at the conclusion of that period he must reinvest his funds. It is possible that by that time it will be impossible to secure more than 5% on a similar high-grade obligation which means that by reinvestment the holder would lose a yield of 2% annually. Obviously, had he invested his funds during the present time in a bond running 30 or 40 years or more, receiving for the same a 7% return he would have been better off in the sense that he would not have had to reinvest at a lower interest return. This is the argument in favor of long-term issues and certainly it is a very powerful argument.

On the other hand, let me point out—assuming interest rates to work down toward a 5% level—that in that event it is hardly a warranted conclusion that short-term securities would stand still. Certainly they would be carried along by the general upward sweep of the bond market and in a few years at the latest would sell at a considerable premium. There are already a few of the higher class short-term issues selling at a premium and very probably others will eventually follow. In that case, the eventual loss in yield occasioned by the switching of short-term into long-term securities, would be offset by the premiums demanded for short-term issues. Probably

the difference between the two after all is so slight as to be negligible. I merely desired to point this out to your attention believing that there is a tendency to give undue prominance nowadays to the attractions of long-term issues over against those of shorter date.

Very truly yours,

J. K. H.

HOW AMERICA CAN RETAIN FINANCIAL SUPREMACY

(*Continued from page 823*)

CONSOLIDATED TRUST, LIMITED

London, England

Registered April 3, 1889.

Articles: Provide that, not more than 1/30 of the issued Share and Debenture Capital for the time being can be invested in any one security. A list of the investment accompanies the report.

Capital—Authorized £916,000 (£245,000 First Preferred, £245,000 Second Preferred and £126,000 Deferred Stock).

Accounts—Carried forward £14,094. Capital reserve £103,372, Reserve Fund £15,000.

Dividends—on the Deferred Stock 1909-10, 8%; 1910-11, 10%; 1911-12, 15%; 1912-13, 35% plus a 20% bonus; 1913-15, each year, 15%; 1915-16, 10%; 1916-18, each year, 13½%; 1918-1920, each year, 15%.

Quotations—on the Deferred Stock from the Official List. 1920, Highest 174½, Lowest 159. August 19, 1921, Highest 157, Lowest 152.

THE EDINBURGH INVESTMENT TRUST, LIMITED

Edinburgh, Scotland

Registered March 1, 1889.

Articles: Provide that, not more than 5% of the issue Shares and Debenture Capital and Reserve Fund shall be invested in any particular securities other than Government Stocks, Public Funds, or Securities of the United Kingdom. At March 15, 1921, the amount invested in British Government Securities was £356,000. The other funds were distributed over *274* investments, being an average of £3,900 in each.

Capital—Authorized £1,500,000. Issued £840,000 (£360,000 Preferred Stock and £480,000 Deferred Stock).

Dividends—on Deferred Stock 1912-13, 12% and the bonus of 5%, 1913-14 each year 15% and a bonus of 2%. 1915-19, each year, 15% plus a bonus of 5% (in January, 1919, £160,000 bonus in Shares and Debenture Stock), 1919-1920, 20% (in February, 1920, £240,000 in Deferred Stock), 1920-21, 10% (equals 20% Capital prior tc last bonus).

INDUSTRIAL & GENERAL TRUST, LTD.

London, England

Registered April 3, 1889.

Articles: Provide that, not more than 3% of the combined Debenture and Share Capital can be invested in any one security. A list of investment accompanies the report.

Capital—Authorized £2,500,000.

Accounts—Carried forward £21,631 Reserve Funds, A. £250,000, B. £400,000.

Dividends—on Ordinary Stock 1909-10, 8%; 1910-11, 8½%; 1911-12, 9%; 1912-20, each year, 10%.

Quotations—on Ordinary Stock from Official List, 1920, Highest 143, Lowest 110, August 19, 1921, Highest 132, Lowest 127.

INVESTMENT TRUST CORPORATION, LTD.

London, England

Registered March 29, 1888.

Articles: Provide that, not more than 10% of the total Share and Debenture capital can be invested in any cne security other than the Public Funds of the British Government.

Capital — Authorized £2,000,000 (£1,000,000 Preferred Stock and £800,000 Deferred Stock).

Dividends—on the Deferred Stock, 1909-10, 10%; 1910-11, 11%; 1911-19, each year, 12½%; 1919-20, 13%.

Quotations—on Deferred Stock from the Official List, 1920, Highest 186, Lowest 151. August 19, 1921, Highest 168, Lowest 163.

METROPOLITAN TRUST COMPANY, LTD.

London, England

Registered August 9, 1894.

Capital—Authorized £1,000,000. Issued £800,000 (Deferred Stock £400,000 Ordinary Stock £400,000).

Accounts—Carried forward £42,606, Reserve Fund £440,000.

Dividends—on the Ordinary Stock 1909, 10%; 1910, 10½%; 1911, 12%; 1912-14, each year, 13%; 1919, 13%; 1920, 14%.

Quctations—on the Ordinary Stock from the Official List. 1920, Highest 175, Lowest 160. August 19, 1921, Highest 172, Lowest 167.

CAN EXCHANGE RATES RECOVER?

(*Continued from page 827*)

country. It is useless throwing good money after bad, and that is what it amounts to when we endeavor to finance countries that show little or no desire to help themselves out of a bad predicament. The primary basis of credit in any transaction is the willingness of the borrower to pay when the loan is due and so to conduct his affairs that he will be in a position to pay. This applies to international credit in which governments are involved even more than to secured loans to industrial enterprises. For if a government defaults there is no way of collecting except through the force of public opinion. As little, therefore, as the United States Government may desire to hold the Big Stick over the nations that meet with it in the coming conference on the limitation of armaments, it will be forced to hold this argument in reserve. The moral responsibility of this country is a great one at the present time, and it is a responsibility that cannot be shirked even at the cost of offending the feelings of friendly nations.

When Exchanges Will Recover

There can be little improvement in foreign exchange until these political factors have been met in the proper spirit. When they are met, the upward turn in exchange will set in. The length of time that it will take to bring back normal conditions will depend upon how long it will take to deflate currencies. Great Britain will recover very rapidly, but France and Italy will require a much longer time.

Currency inflation is no different than non-interest bearing debt and it must be paid off. France and Italy have huge payments to make during the coming years that are the result of the war and these payments cannot be sidestepped under any circumstances.

The principal South American countries will return to normal sooner than the large European nations. In some of them, such as Argentina and Uruguay there has been practically no inflation, the depreciation in exchange being caused by a decline in exports due to the inability of their former customers to buy more goods.

MANY FEATURES IN UNLISTED UTILITY MARKET

(Continued from page 851)

tember 1 last, the date of their maturity, for a period of one year with an additional 1% interest being paid.

The traction plan submitted by the New York Transit Commission, though a tentative one, is evoking considerable interest in all securities of the traction lines. It appears to be the first honest effort on the part of any official body to attempt a solution of the much-muddled New York traction situation. Although it is strenuously opposed by the city authorities they offer nothing definite in place of it. Many of the underlying bond issues of the roads have been active, notably Second Avenue Receiver's certificates which sold up to 38 from around a low of 25 a week or so ago. New York Railway and Third Avenue issues, as well as Brooklyn Rapid Transit bonds, were in demand. The thing which pleases most people about the commission's plan is that it provides for the taking over of the roads on a principle of strict valuation and of service to the travelling public.

An interesting development of the rehabilitation of utility companies and their business was seen in the action of the **Portland Railway Light & Power** directors when they declared a 27% dividend on the first preferred "A" stock to wipe out dividends which had been accumulating since April 1, 1917. The payment is made 2% in cash and 25% in first preferred "A" stock and brings the stock down to a dividend basis as of October 1, 1921.

North American Company continued among the active utilities on the big board as did Consolidated Gas which approached its high for the year above 91. Earnings of North American for the year ended August 31 showed gross of $39,945,430, which was a gain of $4,445,882, while the balance after charges available for depreciation and dividends, was $6,024,108, which was a gain of $794,660. It is pointed out, in connection, with these earnings that after paying at the rate of $3 a year on the preferred stock the balance remaining for depreciation and common dividends was equal to $17.22 a share on the $14,896,650 of $50 par common stock.

Strength in **Consolidated Gas**, of course, reflects the company's greatly improved position as regards earnings resulting from tremendous cuts in operating costs and the fact that it is getting sufficient rates to yield an 8% return on the property investment. The cut of 6 cents a gallon in gas oil on July 1, represented an annual saving of $7,200,000 for the entire system of its consumption of 120,000,000 gallons of gas oil a year. Interest in the company will no doubt be enlivened by the proximity of the initial hearing on its rate case before the Supreme Court. This was set for October 10, but it may be delayed.

ANSWERS TO INQUIRIES

(Continued from page 841)

of $45,000,000 annually but, of course, a considerable percentage of these is in Canada and Great Britain where the company is taxed very heavily. After paying interest, preference dividends on subsidiary stocks, preferred dividends on Canadian companies and dividends on the parent company, the company was able to return a trifle over $1,000,000 to surplus. It is obvious from this that the preferred dividends consume about $1,000,000 annually. Although the figures show a large capitalization, we believe that the company is not too heavily capitalized and a good will item of less than $2,000,000 is apparently an under-valuation considering the valuable leases on the best locations owned by the company throughout Great Britain and Canada. The shares are very widely held by British investors, also in America, and this itself is a good advertisement for the company.

The company may eventually consolidate with United Drug, in which event it is expected that combined sales would be about $125,000,000, which the company believes should return 10% under normal conditions. We believe that you could hold your stock with confidence as to the safety of dividends and the future outlook.

BANKRUPTCY OF BROKERS

Customers' Position

I have been told that if you have an account with a brokerage firm which fails, you are much better off to be owing them money than having money owing you.

In other words, if you have nothing but money with them, you are helpless because you can't identify your money. On the other hand, if you are long of stock or have stocks with them as collateral you can regain these by paying the receivers the amounts owing on the securities.

This is no doubt based on the fact that when you place an order with a broker for stocks and he reports it as executed it means he must have that stock in his possession. Otherwise it is embezzlement. Furthermore you can identify stock whereas you cannot money. If the foregoing is true, then it is much safer never to leave money in the broker's hands. I was told this by a friend who went through this kind of experience. Can you tell me if I have been correctly informed?—R. E. W., Cleveland, O.

You are correct in your view that if a broker's firm should fail, you would be better off to owe them money, because it is a certainty that you would not in such event lose anything. The trustee of such bankrupt firm could claim from you in such event the amount you owe the firm, but that would not be a "loss" to you.

You are wrong in believing that you can recover your shares because it is a moral certainty that the same would not be in your name but in the name of the firm or some other house. If the firm happens to be a "bucket shop" it would very likely not own either its own stocks or your stocks and you would have nothing to recover, but your "equity" (monies deposited or profits). The trustees of a bankrupt estate cannot possibly segregate customers' securities, all securities in the broker's hands being pooled for the benefit of all claimants and when a distribution is made, it is for the benefit of all alike.

You are correct in your theory that the broker when he reports an order as "executed" should receive delivery of your stock, and be ready to turn it over to you in a few days.

We regret to say, however, that a number of firms of the class you have in mind do not buy stocks they report as executed; but in the case of a legitimate firm it would get delivery the next day or soon thereafter but not in your name. It makes little difference in our judgment whether you can "identify" or otherwise.

The only real way to avoid risk is to buy and sell your investments through reliable brokerage houses of established reputation or your bankers. Banks seldom fail and they do not part with your money until they receive the securities.

COMPUTING TABULATING

A Speculative Investment

I have read in one of your issues of The Magazine of Wall Street *that you would give a complete analysis of a stock. Please give some information on Computing Tabulating and Recording Company. If I receive a favorable report—desire to purchase some of the stock at its present price. The dividend certainly looks attractive.—E. S. M., Brooklyn, N. Y.*

Computing Tabulating and Recording selling around 33 pays $4 in dividends and yields on the investment 12%. Dividend requirements at the present time are around $500,000 annually and the company covered this dividend last year at least three times or the equivalent of $12 a share earned on the common stock. The company has had a consistent good record, having earned "before federal taxes" $2,000,000 in 1918, nearly $2,500,000 in 1919 and a trifle over $2,700,000 in 1920. Its funded debt requirements have advanced from $346,530 to $822,878, but on the other hand, its surplus has increased from under $5,000,000 to around $7,250,000. The stock sold as high as 56 in 1920, and its lowest price in its history has been 24. It seems relatively cheap at present and we favor it as a speculative investment.

GENERAL PETROLEUM

Nothing to Worry About

Appreciating your judgment on securities, I am writing to ask you to advise me what to do with my General Petroleum common stock. I purchased 25 shares of this stock at 97, and today it is quoted on the San Francisco Exchange at 75. The company just recently reduced their dividends from 12% payable 1% monthly to 8% payable 2% quarterly. Do you advise me to sell this stock and take my loss or hold it and take a chance on its coming back, or what would you do? I would appreciate your advice as soon as possible.—E. F. C., Seattle, Wash.

General Petroleum Corporation is one of the leading producers in California, the fact being statistically set forth in the balance sheet and income statement as well as the circular which we return herewith, is in a much stronger position with dividends reduced from 12% to 8%, and we are inclined to believe that it is far too low at 75. We do not believe that you need have any hesitation in holding your stock for a longer pull as the best class of oil securities have declined substantially in the past year, and owing to the

fact that this company stores a very large quantity of its oil instead of selling on a depressed market, earnings are not so large as formerly. However, crude oil is advancing and this company is quite a big factor in California and we believe that its shares will come back as soon as a better demand for crude oil comes along at higher prices which we anticipate.

We are very much obliged to you for your appreciation of our judgment and hope that in the present case, our opinion will prove to be valuable to you.

UNION OIL OF DELAWARE
Is It a "Standard Oil"?

Have purchased Union Oil on the strength of your former bullish articles and believing that it was a Standard Oil. Have you any proof that the latter is actively identified with it or with Commonwealth Petroleum, because I judged from your articles that anyone who follows a Standard Oil long enough will eventually "wear diamonds"?—S. J. G., Nashville, Tenn.

We cannot prove to you that Commonwealth Petroleum or Union Oil of Delaware is a "Standard Oil" stock. That the company is well sponsored there cannot be any doubt by referring to the list of directors, many of whom are said to have Standard Oil affiliations. Percy Rockefeller, nephew of John D. Rockefeller, was reputed to be instrumental in gathering together the various units that went into the Union Oil of Delaware, and in New York this Union Oil is regarded pretty generally as a "Standard Oil" or very close to No. 26 Broadway.

It has been a disappointment to us and you that this stock went down, but for that matter Mexican Petroleum declined from above 190 to considerably below 100, Sinclair from above 60 to below 20 and there were declines all along the line ranging from 100% and more. Had it not been for the bear market that followed our articles, undoubtedly, Union Oil would have been selling very much higher by this time. We still have great faith in this proposition and believe that ultimately subscribers to the stock will not only "break even," but have a very substantial profit.

CHEMICAL STOCKS
Some of Them Attractive

Will you please give me your opinion as regards the purchase of chemical stocks at this time, having in mind the American, International and Virginia-Carolina.

I have purchased my quota of railroad and copper stocks and have in mind now the purchase of some industrials, in fact I have bought a few already, and, if your opinion is favorable, I intend to buy some of the stocks above mentioned.

Perhaps in giving your opininon as regards these, you would advise me in a general way as to any other industrials which you would advise me to buy now in preference to the chemicals. —S. W. L., Coatecook, Que.

We believe that you could safely purchase for speculation chemical stocks like American Agricultural common and preferred, International Agricultural common and preferred (we particularly favor International Agricultural common) and Virginia-Carolina Chemical common. We would not suggest a purchase of Virginia-Carolina Chemical preferred, because we believe that the largest percentage of profit would accrue to those who purchase low-priced stocks rather than the high-priced, and we are not sure of the safety of the preferred dividend on Virginia-Carolina Chemical preferred.

The fertilizer industry has probably

been through the worst in its history and with the liquidation of "frozen credit" and the farmers again in a position to purchase for their next year's operation, we believe large amounts of fertilizer will commence to move from production to consumption and the shares ought to discount this event at least six months ahead. Another thing is the more favorable disposition of the banks to finance and help the farmers.

It is very difficult to select the best type of stock for purchase now, but we are under the impression that you would get considerable action in some of the low-priced railroads like Kansas City Southern, Baltimore & Ohio, Western Pacific, Colorado Southern and Rock Island eventually. We, however, note that you have purchased your quota of railroad stocks. We also favor the copper stocks which you already hold.

SWITCHING FROM LIBERTIES FOR A HIGHER YIELD

I am enclosing check of $7.50 for year's subscription to magazine, and would ask your advice on investments. I hold $4,000 of 2nd and 3rd Libertys, but need more income. What can I switch into that will be absolutely safe and give a better return? I have reached the time in life (65) when I cannot afford to lose.—K. F. W., Haverhill, Mass.

We note carefully the position as disclosed in your letter and although Liberty Bonds have advanced substantially this year and are likely to improve the advance still further, if you are compelled to look for a larger income, we recommend the following bonds as a suitable switch, all of which we consider of very good grade, likely to improve substantially in price, and give you a better immediate income.

	Prices	Yields
American Tel. 5s, 1946....	87	6 %
Pacific Tel. 5s, 1937.......	88¼	6.1%
St. Louis Southwestern 1st 4s, 1939	69¾	6.9%
Computing Tabulating and Recording 6s, 1941......	80	8 %
Bush Terminal Bldg. 5s, 1960	75	6.8%

We also refer you to our Bond Buyers' Guide in case you feel that you ought to net at least 7%, and might desire to take a "chance" with bonds of a lesser rating. However, we consider the above as coming up to the type suitable for a man 65 years old, no money to lose, and desiring around 6% with safety.

ATLANTIC-LOBOS
Is the Stock Undervalued?

Will you kindly give me a short opinion on Atlantic-Lobos, one of the Standard Oil subsidiaries? I noticed a few days ago that the company added something over $2,000,000 to its surplus during the first six months of this year, but what per cent is this of its investment? The stock is having a disastrous time of it on the Curb.

I have been a subscriber to your magazine for some three months, and find it highly instructive.—C. C. R., Ottawa, Ill.

For the six months ended June 3, 1921, Atlantic-Lobos Oil Co. reported net earnings of $2,350,000. This figure was arrived at by deducting from gross revenue of $6,660,000 expenses, depletion, etc., amounting to $3,920,000, taxes $390,000, leaving the surplus stated. This added to previous surplus of $410,000, showed a final surplus of $2,760,000. The company had in hand a total of $3,410,000 in liquid assets including cash, call loans, etc., while accounts payable aggregated $590,000. The company is a subsidiary of the Atlantic Refining Co., the said refining company owned one-half of the 500,000 shares of common stock of the Atlantic-Lobos Co. Atlantic-Lobos through subsidiaries owns in Mexico oil leases on 130,000 acres of land, 20 miles of pipe lines, capacity 60,000 barrels daily which sends to storage approximately 500,000 barrels at Fort Lobos, also a refinery of 10,000 barrels daily.

The stock has certainly had a very poor career on the New York Curb, partly in sympathy with the big decline of other oil stocks, particularly Mexican Petroleum and Atlantic Gulf. We have not been able to discover any other reason why the stock has had such a decline, but the stock has been largely in the hands of speculators for the past few months, and this combined with professional operations, probably short selling, etc., has put the stock apparently beneath its intrinsic value.

We would be inclined to take a hopeful view of the situation in view of the recent balance sheet and hold patiently a little longer.

LUCK

(*Continued from page* 849)

loses his nerve, and without investigating the real causes back of the movement, he orders his broker to sell—and then has the "pleasure" of seeing the man who bought it clean up a profit of from ten to fifteen points on a sharp and steady rise. It was not "luck"; it was poor judgment. He had his opportunity to study conditions the same as the other fellow, but he saw only the ruffled surface without noticing the calm depths below.

Another man reads in his paper that stocks are "scraping bottom." He remembers the old advice to "buy when stocks are low; sell when stocks are high." But he stops just short of the plunge and considers whether the water is warm or cold. The stock moves up a few points or fractions, and he starts to stick in a toe, then draws back because the action is so light. The stock starts going on further, climbing a little day by day in almost imperceptible advances; he sees this and wishes he had bought at the bottom, but thinks now it is too late. Finally a bull market comes along and the stock is carried upward with a surge in sympathy with the general market. Our speculator is seized with a passion for making money easily and quickly, musters up his nerve and cash, and *buys.* For a few days the stock hangs, tantalizingly, around the purchase figure, then he finds that he has "come in" too late; that he has bought at the top stock others who bought at the bottom were anxious to sell him. The law of Cause and Effect is at work, the market reacts, prices tumble—first slowly and then as they gather momentum they drop faster. The doubting Thomas again hesitates, this time because he is not sure of the wisdom of selling; finally he succumbs to the inevitable and either sells out voluntarily or is closed out by his broker, taking a big loss where he might have had a profit. This illustration is not built upon theory—don't you think it. Any broker

will tell you that it is only too often an actual fact.

Frequently you hear it said of a man "that chap is mighty lucky." I know of one young broker of whom it is common gossip that everything he touches turns to gold, while if his brother has anything to do with it, the plan is immediately "hoodooed." Yet the success of the one, and the fizzles of the other, are *not* attributable to luck. Like Postum, "there's a reason." Was it luck when young Phillip Armour dashed through the snow to the door of his partner, Plankinton, and told him of Grant's "On to Richmond" order; that he believed it meant the doom of the Southern cause, and that he was leaving Milwaukee for New York to sell pork "short"? Wall Street laughed at the young pork packer. They told him the war was going to last for years and that he was crazy to sell pork "short" at $40 a barrel when it would easily reach $65 or better before long. But the war ended like a cigar plunged in a pail of water, and Armour cleaned up over two million dollars. Was it luck that placed the relay of couriers between the field of Waterloo and London—the horse-back wireless that brought to Rothschild the news of the greatest victory of that time ahead of the official despatches, and enabled him to make millions of pounds? Was it luck that enabled Vanderbilt to break two of the greatest "bear pools" of financial history, and transfer millions of their money into his pocket? *It was not luck*—it was OPPORTUNITY *and the ability to seize it.*

One man gains through the very set of circumstances that makes another man lose. The weaker man sits before the fatal quotation board, and sees the price of his stocks hammered down—down—down. He says to himself, "They've got me. I'm washed up. It is useless to struggle against this kind of luck. I can't beat my streak. I'm through—they can sell me out, for I'm going to quit." Near him sits another man who also sees the declining prices. He studies thoughtfully, then he goes out for a few minutes, and when he comes back he *buys* more stock. He may have been beaten too, but it only make him fight harder. Instead of waiting for the axe to fall, this second man has been out studying the available facts regarding the stock. He believes he has seen a streak of light through the gloom—a ray of good judgment guides him—and he acts with determination and quickness. The next day the man who sat so disconsolately beside him is talking about the good luck of "that chap——."

THE PROBLEMS CONFRONTING GERMANY

(*Continued from page* 825)

Commerce and Trade are convinced. Here is also denoted for Germany the best way for procuring ways and means to meet the Reparation debts by extending its surplus industrial means to Russia and the East. On the other hand, if Germany's efforts to this purpose are restricted on its Western boundaries, disorder will be increased and the everlasting danger of the crisis overshadowing the world will be slow to pass away.

TRADE TENDENCIES

(Continued from page 861)

freight cost from the mines to seaports. Mine prices are already at the lowest and if the freight item could be largely reduced, export prices consequently could be reduced and we could thereby become more of a factor in the coal export trade than at present. The present cost of hauling a ton of coal to Hampton Piers is $2.80 compared with a pre-war rate of $1.40 a ton. Considering that some grades of soft coal sell at about $2.00 per ton at the mines, it will be seen that the freight charge is altogether out of proportion.

Under present conditions, we are practically out of the coal export trade, England having regained her old position. It is obvious that if we are to get back even a respectable share of our war business in this market that export prices will have to be reduced and that consequently all factors entering such prices will have to be reduced.

RAILROADS

General Improvement Shown

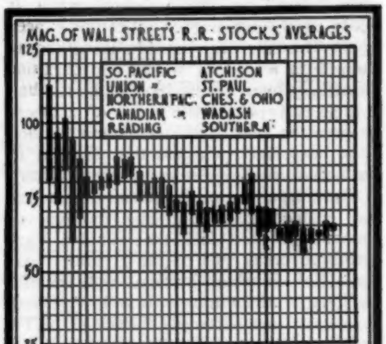
Car loading statistics indicate steady improvement with regard to traffic conditions. For the week ended September 24, there were 873,000 cars loaded, the largest number since the week of November 20, 1920. Idle cars, of course, show a decrease. Of interest is the fact that the number of bad order freight cars is decreasing owing to repair work in company yards, including a certain amount given out to private equipment companies.

While all large sections of the country report an increase in traffic, the principal increase is in the Middle West and Northwest. This is owing to the large grain movement. The Northwestern roads, in particular, are making a good showing, thus contrasting favorably with the inferior results obtained by these roads in the early part of the year.

Southern roads, although not all, are benefiting from the larger cotton shipments and should also benefit later on from the increased commercial activity which is bound to come into the South as soon as the full force of the generally higher cotton quotations are felt.

The Eastern roads are doing well owing to increased industrial activity and the roads in the steel and coal districts are making very definite strides toward higher earnings. The coal movement has just commenced to increase and with the seasonal demand about to open up in earnest, both the hard and soft-coal carrying roads should do well.

Roads in the Western mining sections are affected by the practical suspension of operations on the part of the mining companies and probably, as a class, are making the worst showing of all. However, the improvement which has recently come



To Oct. 6.

into the metals, may within a few months result in renewing mining operations and thus have a very favorable effect on the roads in these districts.

Of great importance is the Interstate Commerce Commission Plan for the consolidation of the railroads recently announced. This, however, is covered elsewhere in this issue in a special article on the subject.

The total number of tons of revenue freight hauled by the Class I roads in the first six months of 1921 amount to 800,067,738, compared with a total for the same period of 1920 of 1,031,969,587 or a decrease of about 22%. The increase of traffic this year from July on will undoubtedly cause figures for the final six months of the year to make a favorable showing with those of the first six months and also with those of the final six months

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N. Y. Times 50 Stocks High	Low	Sales
Monday, Sept. 26	71.87	70.75	74.30	65.87	64.97	487,054
Tuesday, Sept. 27	71.71	70.30	73.61	65.17	64.49	411,810
Wednesday, Sept. 28	71.50	70.14	73.45	64.82	64.13	426,705
Thursday, Sept. 29	71.52	71.19	74.10	65.60	64.70	474,097
Friday, Sept. 30	71.62	71.08	74.17	65.83	64.94	424,630
Saturday, Oct. 1	71.50	71.68	74.58	65.52	65.09	273,650
Monday, Oct. 3	71.45	71.61	74.38	65.75	65.07	544,045
Tuesday, Oct. 4	71.45	70.95	74.06	65.74	64.37	509,752
Wednesday, Oct. 5	71.44	70.46	73.76	65.02	64.20	527,470
Thursday, Oct. 6	71.60	70.42	73.55	64.52	63.76	494,972
Friday, Oct. 7	71.61	71.66	73.67	64.73	64.02	521,905
Saturday, Oct. 8	71.62	71.17	73.90	64.74	64.32	279,575

of 1920 in view of the fact that owing to the general industrial depression which commenced at the latter part of 1920, traffic already commenced to fall in that period. However, the total results for 1921, even with the improvement which has set in, cannot possibly equal those of the full year 1920 so far as freight statistics are concerned.

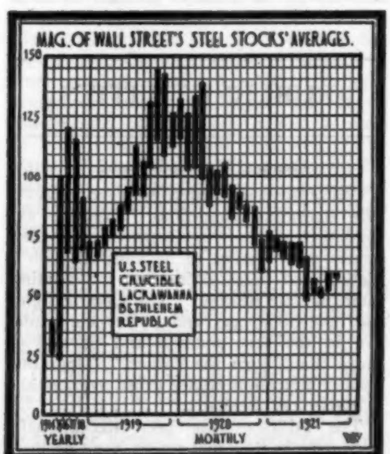
STEEL

Movement Slackens a Little

There are indications that the movement in steel is about to ease off, although it is not believed that the recession will assume considerable proportions. More likely the falling off in interest in this market is due to the fact that consumers have contracted for all that they need at the present time and are unwilling to enter into commitments above the usual amount required until they can see their way ahead more clearly. However, sentiment is considerably more optimistic, even with the recent decline, than a few months ago.

New business in sheets, wire products, and tin plate, the recent leaders, has dropped off of late and the demand is quiet. However, under the stimulus of the recent accretion of orders, mills are comfortably supplied with work to last them a few weeks ahead.

Generally, the price structure seems firm. There are even a few instances where higher prices may be expected. Among them are bolts, nuts and rivets. Prices on all wire products are firm and the same is true of sheets. It seems



To Oct.6.

doubtful now that there will be an important price reduction in any steel article, which indicates how the situation has changed in the past few weeks.

Conditions in the steel export market do not make a favorable comparison with those in the domestic market. Exporters are generally hampered by the adverse rates of exchange and are not in a position to compete with foreign interests. As a result, the volume of our steel exports has steadily diminished and probably will continue to do so until there is a general adjustment in the foreign situation.

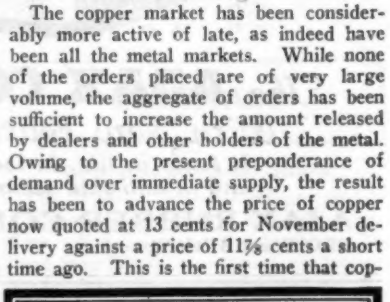
Particular interest attaches itself to the pig iron market. Prices are still not far from the lowest but in view of the stronger character of recent prices, it is doubtful that the lowest prices will again be duplicated at least within the next few months.

While during the past few days there has been somewhat of a lull occasioned by the too rapid increase in buying, the market shows a healthy tone. Production has increased and trend appears definitely upward. In sympathy with pig iron prices, coke has advanced and the output has increased. This in turn has favorably affected bituminous coal production and incidentally railroad traffic so that the improvement in steel and iron may be said to have given a stimulus to the industries dependent on them.

COPPER

Demand Improves and Prices Advance

The copper market has been considerably more active of late, as indeed have been all the metal markets. While none of the orders placed are of very large volume, the aggregate of orders has been sufficient to increase the amount released by dealers and other holders of the metal. Owing to the present preponderance of demand over immediate supply, the result has been to advance the price of copper now quoted at 13 cents for November delivery against a price of 11⅞ cents a short time ago. This is the first time that copper has touched the 13 cent level since last May.



To Oct.6.

During the past few months, the statistical position of the red metal has improved somewhat. The unsold supply of refined copper in this country is about 680,000,000 pounds which compares with a figure of 800,000,000 pounds roughly at the time when producers commenced to limit their output. While for a few months, demand and supply ran about even the tendency during the past month or two has been for demand to increase over the supply by about 30,000,000 pounds monthly.

The normal unsold supply of copper is about 300,000,000 pounds or 380,000,000 pounds under the present supply. At the present rate of consumption and production, this excess supply would be eliminated in about 13 months. However, the demand is more likely to increase than decrease from now on and probably it will take less than 13 months to work off the surplus of unsold copper.

Of immediate bearing on the situation is the fact that American brass makers who have up to this time stayed out of the market on account of the large available supply of scrap brass in Europe, are now entering the domestic market on account of the liquidation of European stocks. The recent tendency toward increased building construction is also a factor in the situation and no doubt will result in an increased demand for copper from this source.

Europe remains a weak spot in the situation and not much hope can be held out until conditions on the Continent improve. However, this will lose its effect, at least partially, as the domestic demand for copper increases.

Other metal markets have been firmer—silver (described in a separate heading under its own name) lead, tin and zinc. Lead, which has been comparatively strong for a long period, more so than other metals, is firm and while not particularly active, gives no sign of weakness. Zinc is a newcomer to the list of strong metals. This metal has been in a bad state for a considerable period but its statistical position has gradually strengthened and the results are just being felt now. Prices have advanced moderately and the demand gives promise of broadening out in the near future. Tin is not unusually active but quotations are well maintained.

Generally speaking, the metals are in a better position than for a considerable period. Demand has increased, prices have advanced and a healthy tone is shown. With continued improvement in the general industrial situation, no doubt these metals and others will give a good account of themselves.

PUBLIC UTILITIES

General Upward Trend

Utility systems, generally, report favorable operating conditions, with the exception of several very large traction companies which seem to be afflicted with a plethora of political interest and a minimum of fair dealing. The electric lighting, telephone, gas and power companies are in the best position and have done more than "turn the corner." Operating results indicate a higher gross average and a higher net income.

The utilities have been exceptionally fortunate in that fuel prices have declined to very low figures compared with those demanded several years ago. Both coal and oil are now obtainable at prices which, on the basis of the rates permitted the utilities, enable these companies to return a handsome profit.

That the public is generally appreciative of the change which has come over most of the public utility groups is indicated by the large absorption of new utility issues recently offered for subscription. Additionally, the trend of public utility bonds has been upward and this movement has transmitted itself even to some of the hitherto moribund traction bonds.

The strengthening finances of these com-

panies is indicated by the fact that they are showing a tendency for the first time in a considerable period to enter the fuel markets on a large scale. While there is no doubt, in the instance of the electric light and gas companies, that this is occasioned largely by the advancing season which requires larger usage of these services, the fact that they are willing to contract for comparatively large amounts of these commodities indicates the confidence with which the respective managements regard the situation. So rapidly have earnings increased in some instances that increases in dividend rates are anticipated, or where no dividends are being paid, it is likely that such issues will once again be restored to the dividend-paying class. Generally the utilities present a favorable aspect.

MEXICAN PRODUCERS IN RACE AGAINST SALT WATER

(*Continued from page* 859)

ducers, each with one well in the Tuxpam district, are in straits, as the presence of salt water keeps the pipe line operators from making connections in some instances.

The Panuco Field

The best recent completion in the Panuco field west of Tampico had an initial production of 6,000 barrels, but salt water—while not so overwhelming as in the Tuxpam district—usually causes a decline, when many wells continue as average pumpers, leaving a fairly dependable settled production. Panuco crude is a natural fuel as it comes from the wells and has a steady demand for all that can be produced at steady prices, and is thus distinguished from the more prolific but now erratic Tuxpam wells. A number of small producers are interested in Panuco, several of them being English and Mexican-Spanish organizations having a number of small personal holdings. The Panuco field is occasionally extended a location or two, particularly in the eastern and northwestern ends, but the producing area is apparently nearly developed, after having produced about 100,000,000 barrels, and probably 50,000,000 barrels are left. This compares with possibly 500,000,000 barrels produced in the Tuxpam district and probably no more left recoverable than in the Panuco field.

It may help some in visualizing Mexico's marvelous oil field to date to compare it with the Cushing field in Oklahoma, for instance. The productive acreage in the Tuxpam district, comprising a narrow strip 35 miles in length and from 1,000 feet to 3,000 feet wide, contains approximately 20,000 acres, which have yielded about 500,000,000 barrels of oil and is about all in. The Cushing area is approximately 30,000 acres and in seven years it has produced slightly more than the Tuxpam field in ten years, and has more reserve production than Tuxpam. Of course Tuxpam wells have had initial productions ranging from 25,000 to 125,000 barrels each, eclipsing all world records, while the greatest Cushing well made only 14,000 barrels, but wells drilled in a body of heavy sand and spaced 400 or 500 feet apart in a period of years appear to pro-

duce more oil than fewer wells of enormous initial production.

The records of the Juan Casiano well, with 85,000,000 barrels in ten years, and the Potrero del Llano well, with 110,000,000 barrels in nine years, are marvelous, of course; but when offsets began to be drilled regularly in adjacent territory salt water ended the production in little more than two years. When oil fields are analyzed and compared, leaving out of calculation a few exceptional freak wells, they are pretty much alike as to general results and come to their ends with no wide variations, everything considered. It's the human equation, after all, more than natural forces, that lend the spectacular and grotesque colors to the picture.

In other sections of coastal—and possibly in interior—Mexico other producing areas will be discovered, and the industry will continue with more or less profit. The enormous equipment in Mexico, idle, perhaps temporarily now and again, prompts its owners to continue work to repay the investment, just as equipment in other fields has not only been profitably maintained but is steadily being increased in the total.

A Later Summary

Editor's Note: The matter which follows was written by our correspondent some time after the foregoing report and summarizes more recent developments.

The salt water intrusion in the Tuxpam district of Mexico continues without interruption, well after well going to water as regularly as the pressure is allowed to find vent. Since the last report, two of the good wells of the Aguila (Dutch-Shell) company have been taken in the Los Naranjos pool, as have wells of the Indiana-Mexican (Snowden Bros. & McSweeney), and the Transcontinental (Standard). In the hurry of the clean-up campaign now on it is expected the Huasteca (Mexican Petroleum) will ship 3,000,000 barrels in September, the Transcontinental 2,000,000 barrels or more, and other companies having pipe lines and terminals will move as much of their own production as possible and as much from others as they can buy or borrow. Tankers are being rushed to the gulf terminals and the movement will continue until all the water-menaced oil is taken out, supplemented by as much storage oil as can be moved. The next three months will find little oil left in the southern field, for no new wells are now being drilled there and a number of wells under way are being abandoned to save expense that would not be repaid. Until the clean-up work is ended and the rainy season ends there will be no exploration work begun to find and develop new pools to the south.

That Conference

The five oil men who went to Mexico to confer with President Obregon have consistently refused to disclose the details of the agreement that was entered into, and Secretary De la Huerta has given out no details officially. Sombreros are large in Mexico and a great many things may be kept under their brims, but a few glimpses show around the edges. It's all right with the MAGAZINE, but there's quite a number of other interested oil operators and Mexican citizens who have some right to be fully informed. The celebrated Article 27 having been passed upon by the supreme court of Mexico and declared to be just what it purports and not retroactive, all constitutional differences have been settled, leaving only the question of taxes levied on crude, refined and stored oil.

The constitution not being a matter subject to adjudication between aliens and cabinet officers, the only subject that could properly be discussed was the advisability of maintaining certain taxes authorized by the executive branch of the government. While no official announcement was made by Secretary De la Huerta, it is known that the somewhat-increased tax levies to become effective July 1 were suspended until December 21, but not rescinded wholly and the 10% export tax in effect prior to July 1 is in force. Furthermore, all taxes remaining unpaid prior to July 1, and the same tax on all oil produced during July and August and put in storage, was to be paid at once by the terms of the agreement, which cleared away all tax disputes up to September 1, when the conference began.

The Mexican Petroleum Company and three Standard Oil companies, with the Transcontinental as the principal one, shipped no oil out of Mexico during July and August—two of the heaviest taxpayers—and other producers naturally paid no taxes pending the conference. An agreement was reached to pay all tax due at the old rate of 10% of the price secured for the oil in New York, according to gravity grade, up to December 21, 1921, when, it is generally believed, salt water will have put the Tuxpam field out of commission. By this arrangement the government will collect 9,353,333 pesos, or about $4,700,000 American gold up to September 1, back tax and at the same rate on approximately 12,000,000 barrels exported during July and August, and at the same rate on whatever oil was stored by the Huasteca and Standard companies. The Dutch-Shell companies continued shipping and producing as usual, not being represented in the conference, as did the Agwi, the Island, the Mexican Gulf, the Pierce and other companies at Panuco. That's about all that was done, or could be done, at the conference—and nothing to be ashamed of by either party to the conference. It was much ado about very little, and leaves the oil producers of Mexico just about where they were before, except whatever may be gained by suspension of increased tax for six months.

It is estimated that for the last six months of 1921 there will be moved from Mexico for export, including crude and refinery products, stored, approximately 100,000,000 barrels. According to data secured by a refining and producing company in Mexico about 40,000,000 barrels of crude and refinery products were held in storage in Mexico

in August. This may be a trifle high, but is the best estimate at hand, as storage figures are not as carefully compiled as in the states. The Huasteca Petroleum Company (Mexican Petroleum) had slightly in excess of 5,000,000 barrels in tanks on September 1 last, and it is probable the Dutch-Shell interests had about the same—crude. The Huasteca and the Aguila each have refineries of 100,000 barrels charging capacity, and the Standard, The Texas Company, the Continental Mexican Oil Company, the Agwi, the Cortez (Atlantic Refining Company) the Penn Mex, the Freeport Mex (Sinclair) have topping plants and refineries ranging in capacity from 10,000 barrels up to 30,000 barrels each, some of them, however, idle for lack of crude oil. The La Corona Petroleum Company (Dutch-Shell) has about completed at Tampico a complete refinery of 100,000 barrels charging capacity, with two new pipe lines to the lower field, but with no oil of its own to fill them. These refining plants in Mexico have a charging capacity of about 400,000 barrels and are connected with pipe lines having a capacity of 800,000 barrels a day. With the near exhaustion of the Tuxpam field there will be left as actual production in Mexico the 100,000 barrels a day at Panuco, which is all heavy fuel oil that contains no gasoline and the 250,000 barrels a day of the Huasteca company at Cerro Azul and Chapapote. The new production of the Mexican Gulf Oil Company and the International Petroleum Company in the Toteco pool, approximating 180,000 barrels a day from five wells, is not included in the estimate, for it is flush production and, being close to the Zacamixtle salt water wells, its duration is problematical.

Exploration Work

Outside of the few wells drilling along the edges of producing territory at Panuco and the Tuxpam district, semi-wildcat, not to exceed fifteen test wells are now drilling in the republic of Mexico, most of them in the states of Vera Cruz and Tabasco, south of the Tuxpam field. Seepages are to be found along the east and west coasts that indicate pretty surely the presence of oil in commercial quantity: but any new producing territory in Mexico must be found by rather expensive prospect work in uncharted places difficult of access. There is no doubt whatever that other rich pools will be found in Mexico, but not before a year of hard work and much money are spent.

J. F. Guffey, whose relations with other operators in Mexico have been severely strained, was in Mexico recently, prospecting for acreage on the west coast. He has taken over a big block of acreage in Tabasco and is now in the States for the purpose of financing its development. Mr. Guffey has been friendly with the De la Huerta administration and has offered it some suggestions about how to control government land and the regulations necessary to preserve to the government complete control of the minerals of the

republic via the nationalization route. Some of his suggestions are so good and so nearly what every nation either has already adopted or will adopt that they will become the accepted law and rule. In one or two respects the Guffey suggestions are so extreme as to be almost prohibitive, like some of the regulations in force in the United States, but will likely be accepted along with the reasonable ones, to be later the subject of negotiation with any person who is personable with the resigning administration—as occasionally happens in the good old U. S. A. That's where Joe would profit.

OIL SITUATION TEMPORARILY IMPROVED

(Continued from page 857)

resources. The Roxana Petroleum Company for some years has been especially pestiferous in its efforts to circumvent government restrictions, even to the maintenance of a lobby of expert attachés at Washington to influence disposition of Indian and government lands classified as oil-bearing.

In lesser degree the Shell Company in California has felt the embarrassment of state and federal restrictions of its free operations and expansions. To retain what it already has and possibly to acquire greater interests in the United States, the Royal Dutch-Shell syndicate is now trying to do through a merger with domestic corporations what it may not do as a foreign and alien corporation.

The Union Oil Company of Delaware is controlled by Percy Rockefeller and the Harkness family, the latter also the possessor of many millions accumulated by ownership of Standard Oil shares. This Union Oil Company has a considerable interest in the Union Oil Company of California, controls a number of other California oil companies and has considerable production in Oklahoma, Texas and several eastern fields contiguous to properties now owned exclusively by the Shell Company and the Roxana Petroleum Company, including Rocky Mountain interests operated as the Matador Oil Company. By merging all these properties and interests in a domestic corporation organized under United States laws some measure at least of restriction applying to strictly alien corporations would, it is thought and hoped, be avoided, and the resultant profits would continue to find seclusion in foreign strong boxes. It is a pretentious economic plan, that, if successful, would reflect credit to foreign diplomacy and trade expansion.

One of the Harkness family has been in Europe some time working in conjunction with Dutch-Shell executives to bring the plan to successful conclusion. Accompanying him is Frank E. Kistler, president of the Producers & Refiners Corporation of Denver, who is also desirous of turning his rather pretentious corporation holdings to some strong interest at a price somewhere around $30,000,000. Other corporations may also be involved in the big merger, the Maryland Refining Company having been mentioned in the connection. That industry and commerce frequently place profits above patriotism is partially proven and finds verification in the announcement, during the recent attempt to secure a tariff to prevent importation to the United States of petroleum, that, failing the adoption by Congress of the desired tariff, oil producers in the Mid-Continent fields would encourage the Royal Dutch-Shell syndicate in its efforts to secure sufficient strength in the United States to break the dominance of Standard Oil. It is reasonable to believe that the Royal Dutch-Shell syndicate, through its American subsidiaries, will readily avail itself of this proffered help to wrest from Standard Oil some of its monopoly and at the same time circumvent government restrictions against alien control of our natural resources.

Several United States senators are working, by concurrent resolution, to bring about—perhaps via the Federal Trade Commission—an investigation that will disclose the exact status of the plans of the Royal Dutch-Shell syndicate in the United States looking to greater control of oil properties. Senator King of Utah, having some knowledge of the lobby at Washington during the fight over the leasing bill enacted into law in February, 1920, is largely responsible for the proposed investigation.

Development Likely to Increase

The added 25 cents a barrel for Mid-Continent crude oil will produce enough spare money to enable owners of fair and good acreage to risk drilling a few more wells. To whatever extent the added revenue will cause more development work in good territory is as yet conjectural, but that it will cause considerable new work is certain. While there is plenty of crude oil produced for every possible need, and ultra conservative operators who are comfortably situated will complain, it is nevertheless a good thing to put some idle labor in the way of making a living and to add even sparingly to community comfort and welfare. Nearly all storage capacity in the United States is full of crude oil and any material increase in production will soon fill the remaining tankage. The powers that rule petroleum may later curtail runs if production increases unexpectedly; but it is worth while to give employment to idle workmen during the winter months.

BABY BONDS FOR SMALL INVESTORS

(*Continued from page 853*)

14—Ohio Power First & Refunding 7s

This is a bond for the small investor, which yields about 7.40% at the present price of 95. Ohio Power is a subsidiary of the American Gas & Electric Co., the latter serving a population of over 1,034,000, located in 121 communities and six states. The bonds of this issue are callable at 107½ and interest up to January 1, 1926, after that at 106 to January 1, 1931, 104½ to January 1, 1936, 103 to January 1, 1941, 101½ to January 1, 1949, and 100½ thereafter to maturity.

Ohio Power does the entire lighting, power and heating business of Canton and Louisville, Ohio, and serves 42 cities in the richest manufacturing, coal and oil producing and farming sections in Ohio. Its franchises are perpetual. For a period of years the company's average income has been $1,558,960, thus leaving a safety margin of 21%.

15—Oklahoma Gas & Electric First & Refunding 7½s

A $100 bond of this issue can be purchased around 95 to yield 8%. The amount authorized was $30,000,000, and there is outstanding $6,000,000. This company is the largest electric and gas utility in the state of Oklahoma. It serves a population estimated at 225,000 and supplies electric and gas in many cities, some of which are Oklahoma City, Muskogee, Sapulpa, El Reno and others.

The bonds are a first lien on the entire property of the system, subject only to the lien on part of the property of a closed mortgage securing $2,788,000 first mortgage bonds due 1929. The net earnings are more than two times the annual interest requirements of this issue and on the first mortgage bonds.

16—Southern California Edison General 6s

These general and refunding 6s have been issued in the amount of $31,723,000. This is another high-grade bond that small investors are privileged to buy, as the bonds have been issued in $100 and $500 pieces. They are secured by a direct mortgage on all the property, rights and franchises of the company, subject to underlying bonds still outstanding.

Net earnings are more than 2½ times annual mortgage bond interest, which shows high degree of protection. The bonds are obtainable at about 91 to yield 6.85%. The territory served has a population of more than 1,500,000, and includes 10 counties and 233 cities and towns.

17—Southern Sierras Power First 6s

This is a bond which is rated high in all statistical manuals and by the utility specialists. They were callable after 1918 at 105 and interest. The sinking fund commenced to operate January 1, 1917; 20% of net earnings of each preceding six

(*Continued on page 884*)

A DESIRABLE INVESTMENT

(*Continued from page 856*)

with the result that the quality of service, as measured by these efficiency tests, is the best in the Company's history and constantly showing improvement. The American Telephone & Telegraph Company is leaving nothing undone to place their service upon the highest possible standard.

Stock Endorsed for Investment

Although the writer does not recommend the investment of too large a proportion of one's funds in securities of corporations engaged in one industry or in various industries located in one community, he does advise and advocate the holding of a liberal number of shares of common stock of the American Telephone & Telegraph Company. It is dependent upon no one industry or one locality for its business. It has no inventory problems and no floating indebtedness, outside of current accounts. It serves every business and practically all localities in the United States and is continually growing.

The present market price for the common is about 108, at which price the yield is about 8.33%. Aside from being an investment stock, it offers excellent market possibilities as the reader will see from the accompanying graph the present which shows the present selling price to be some 45 points under the highest quotation of the past 10 years.

For those favoring the bonds of this concern, a list of American Telephone & Telegraph Company bonds, and those issued by its associated companies, is given below. It must be admitted that they offer attractive investment possibilities:

	Approximate Price	To Yield
Amer. T. & T. 6s, 1922	99¾	6.25
Amer. T. & T. 6s, 1924	99	6.40
So. W. Bell 7s, 1925	99¼	7.25
Amer. T. & T. Co. 6s, 1925	102	5.45
Amer. T. & T. Coll. Tr. 4s, 1929	84½	6.65
New Eng. T. & T. 5s, 1932	86	6.85
Amer. T. & T. Conv. 4½s, 1933	90½	5.60
Pac. Tel. & Tel. 1st mtg. 5s, 1937	89	6.10
N. Y. Tel. 1st mtg. 4½s, 1939	85¼	5.80
So. W. Bell 1st mtg, 5s, 1941	86	6.25
No. W. Bell 1st mtg. 7s, 1941	104¼	6.64
Bell Tel. Co. of Pa. 1st 7s, 1945	105¾	6.52
Amer. T. & T. Coll. Tr. 5s, 1946	89	5.84
N. Y. Tel. Skg. Fund 6s, 1949	97	6.25

No matter what the particular requirements of the investor may be, there is certain to be one bond in this list which will be attractive to him.

TABLE II—INCOME ACCOUNT AS OF JUNE 30, 1921

	1920	1921
Dividends	$17,397,835	$18,414,407
Interest, etc.	6,181,263	6,454,736
Telephone Traffic	28,180,622	28,559,712
Gross Income	$51,759,720	$53,428,855
Expenses, etc.	16,009,260	17,048,730
Net Earnings	$35,750,460	$36,380,125
Interest	9,421,797	9,868,022
Net Income	$26,328,663	$26,512,103
Dividends	17,682,343	18,938,397
Surplus	$8,646,320	$7,573,506
Earnings per Share*	$5.86	$5.89

*Figured on $449,384,000 capital stock then outstanding.

TABLE I—RECORD OF FUNDED DEBT

	Interest dates	Maturity	Outstanding	Aver. income available	Int. required per annum
Amer. Tel. & Tel. Coll. Tr. 4s	J-J	July, 1929	$78,000,000	$55,781,430	$3,120,000
Amer. Tel. & Tel. Coll. Tr. 5s	J-D	Dec., 1946	76,461,100	....	3,823,055
Amer. Tel. & Tel. Conv. 4s	M-S	March, 1936	2,589,000	....	103,560
Amer. Tel. & Tel. 20-yr. Conv. 4½s	M-S	March, 1933	12,198,200	....	548,919
Amer. Tel. & Tel. 7-yr. Conv. 6s	F-N	Aug., 1925	48,195,700	....	2,891,742
Amer. Tel. & Tel 5-yr. 6% Notes	F-A	Feb., 1924	40,000,000	48,838,375	2,400,000
Amer. Tel. & Tel. 3-yr. 6% Notes	A-O	Oct., 1922	50,000,000	....	3,000,000
West. Tel. & Tel. Coll. Tr. 5s	J-J	Jan., 1932	9,985,000	....	499,250
		Total,	$315,407,000	$104,619,805	$16,486,526

RECORD OF COMMON STOCK

Amount Outstanding	Rate of Dividend	Dividend Requirements	Dividends Paid in Recent Calendar Years 1900-5	1906	1907-20	1921
$532,988,024	9%	$47,968,922	7½%	7¾%	8%	9%

TABLE III—GROSS EARNINGS BY MONTHS

	Gross Earnings by Months 1920	1921	Operating Income 1920	1921
January	$4,549,308	$4,758,175	$2,172,771	$1,966,533
February	4,457,096	4,572,878	2,067,969	2,082,942
March	4,759,042	4,890,276	2,290,877	2,387,179
April	4,773,745	4,721,381	2,204,704	2,089,124
May	4,836,195	4,874,487	2,159,884	2,319,507
Total	$23,375,979	$23,817,197	$10,895,625	$10,845,285

CONSOLIDATION OF THE RAILWAYS

(*Continued from page* 817)

New York Central and Pennsylvania, but if this consolidation were affected the New York Central lines in Pennsylvania would have to be protected by free use of the Reading terminal. New York Central today has large coal interests as well as other tonnage which it now routes directly over the Reading lines at Williamsport, and with the inclusion of Western Maryland in the system the coal traffic from this road would have to be given equal rights over the Reading lines at Shippensburg. With this arrangement monopolies in any given territory would be avoided, competition would insure good service and we would have three powerful systems that would be able to expedite the free and direct movement of traffic from the interior to the coast and from one industrial center of importance to another.

The inclusion of the New Haven trunk lines in this system would be of real value to all the eastern roads, for it would probably mean the saving of this road and the removal of a sore spot from the entire railroad situation. This connection would give New Haven the very life blood it needs, and a through route from the West and the coal fields of West Virginia to the New England states would be of great value to the rest of the system.

The Commission and Professor Ripley make a rather surprising disposition of the Chicago, Indianapolis & Louisville RR., which is owned jointly by the Louisville & Nashville and Southern Rys. There doesn't seem to be any really good reason as to why this road should be taken away from the two Southern lines and handed over to the B. & O. system. Both from the viewpoint of the interests of the roads concerned and the best interests of the commercial development of the country, C. I. & L. should be operated jointly by Louisville & Nashville and Southern Rys. The B. & O. lines enter all the important cities tapped by this road with the exception of Indianapolis. It does a very large exchange business, that is, it carries on a large interchange of traffic at these Western points and there is no reason why it should obtain control of a road that would not benefit it materially, but would shut off a natural channel of trade between these Western cities and Southern points. Aside from the question of right and wrong consolidation here, it is folly to expect that either Southern or Louisville & Nashville would relinquish their rights in this road.

Systems No. 4 and 5

With Erie as the nucleus of a fourth Eastern system with access to New York City, a very powerful system can be consolidated to compete chiefly with the New York Central lines. The main trouble with the Erie RR. has been an insufficient number of feeders, but with the acquisition of the Delaware & Hudson RR., bringing valuable traffic from the Canadian border and up-state agricultural and industrial centers to the Erie lines at Binghamton, N. Y., and the Delaware, Lackawanna & Western RR. bringing valuable coal traffic with an outlet at New York, this trouble should be entirely eliminated. This consolidation should work to the advantage of all three roads. The inclusion of the Wabash lines east of the Missouri river would further strengthen the system by opening up new lines west of Chicago to St. Louis. Dividing the Wabash Ry. into two units so as to give an Eastern road access to the Middle West and a Western road new lines west of the Missouri seems to be a very practical plan, and one that should not meet with much opposition from the stockholders of the Wabash Railway. Under this plan the stockholders would probably receive an equal distribution of an Eastern and Western system in exchange for their own holdings.

The fifth and last eastern system would be the Lehigh Valley. This road, with its terminal at Jersey City, would afford an excellent outlet for the traffic originating on the New York, Chicago & St. Louis and the Toledo, St. Louis & Western. The Toledo, St. Louis & Western's mileage extends from St. Louis to Detroit on a straight line, thus passing through a highly industrialized section of the country. This road would act as an excellent feeder to the Nickel Plate (N. Y., Chic. & St. L.), extending from Chicago to Buffalo. At Buffalo, Nickel Plate would link up with Lehigh Valley, from whence the traffic would be routed direct to Jersey City. The acquisition of Wheeling & Lake Erie and Pittsburgh & West Virginia would give to the system an entry into the valuable coal fields of Ohio and West Virginia. This traffic would be chiefly routed to the Great Lakes and to the Nickel Plate. The only weakness to this consolidation seems to be in the inclusion of the Lake Erie & Western Ry., a subsidiary of the New York Central. There does not seem to be sufficient grounds for taking this road from New York Central and including it with Lehigh Valley. New York Central would probably never consent to this arrangement.

Systems No. 6, 8 and 9

There is nothing much to be said about an independent line for Pere Marquette. This would seem to be the only equitable arrangement. This road could easily be linked up with any of the eastern systems, but to do so would be to create an unfair advantage over the others. None of the consolidations contemplated, however, would injure the traffic of this road, which should be able to carry on a very profitable business between the Great Lakes and with the great automobile center in Michigan.

There will probably be a considerable bone of contention if the plan of the Commission's and Professor Ripley, as to the consolidation of systems 8 and 9, is attempted. Firstly, the Virginian Ry could be included as a part of either system, both of which would afford this line a better outlet for its heavy coal traffic. Both Chesapeake & Ohio and Norfolk & Western will no doubt file protest to the in-

clusion of Virginian with one or the other, and the difficulty lies in the fact that both have about equal grounds of complaint should it be consolidated with either. Secondly, the plan of including Toledo & Ohio Central and its subsidiaries with Norfolk & Western is sure to be protested by New York Central, which now controls these roads. These lines are very valuable to the New York Central. On the other hand, there is no denying that Norfolk & Western needs an extension to the Lakes in order to compete successfully with Chesapeake & Ohio, which has access to both Chicago and Toledo. Norfolk & Western's lines only reach Cincinnati and Columbus, Ohio, but through its close relationship with Pennsylvania the road has never had any difficulty in reaching the Lakes. Its heavy coal traffic has always been routed over the Columbus, Sandusky & Hocking RR., and as long as Pennsylvania has the large stock interest in this road that it has, Norfolk & Western will never have anything to worry about in the way of a free outlet for its coal. It would seem better to leave the control of Toledo & Ohio Central where it is and not disturb the relationship between Norfolk & Western and Pennsylvania.

BABY BONDS FOR SMALL INVESTORS

(*Continued from page* 881)

months is to be paid to the trustees for the purpose of redeeming the bonds.

This company is owned by the Nevada-California Electric Corporation, which, by the way, guarantees unconditionally principal and interest of these bonds. The company serves 24 towns in California. At the present price of 85 it yields 7.70%.

18—Standard Gas & Electric Gold 6s

Of these bonds there are outstanding, of an authorized issue of $15,000,000, $8,265,000. The company ranks as one of the largest utility holding companies in the United States. The properties under control are situated in widely separated parts of the country, serving more than 533 communities with a populaion of more than 2,100,000. The company also owns controlling interest in Shaffer Oil and Refining Co., an important producer, refiner and distributor of oil.

The 6% notes are issued under a trust agreement which provides that additional notes may be issued only when net earnings are at least 2½ times annual interest charges on outstanding notes. Net earnings are more han five times annual interest charges on these notes. The yield at the present price is about 8.85%.

19—Vermont Hydro-Electric First 6s

Here is a bond which is legal for savings banks in Rhode Island, Vermont, New Hampshire and Maine. They are secured by a first mortgage on all the properties, rights and franchises now owned or hereafter acquired and constitutes its only mortgage indebtedness. The properties are valued in excess of $3,000,000.

The amount of this issue only totals $1,881,500. The net earnings for the past 12 months showed $205,483.51, while the annual interest requirements are $112,890.

The company serves directly or indirectly electric light and power to 30 communities located in the southern part of Vermont and the southwestern part of New Hampshire, and supplies electrical energy for the entire light and power requirements of the Rutland Railway, Light and Power Co.

The bonds are now selling at around 88, which gives them a yield of 8%.

20-West Penn Power 1st Gold 7s

The West Penn Railways Co. controls the West Penn Power Co., being the owner of all its common stock. The West Penn Power is a consolidation of 53 electric light and power companies in Pennsylvania. The territory served covers some 294 cities and towns with a population of more than 500,000. The average income available for interest requirements is $1,942,940, while the amount necessary for this loan is $210,000.

These 7% bonds are callable after August 1, 1926, to February 28, 1931, at 105 and interest, and thereafter at 102½ up to February 28, 1941, and from then to maturity at 101. They are secured by an absolute first mortgage on all the physical property, rights and franchises. The mortgage provides both maintenance and depreciation reserve funds. They are listed on the New York Stock Exchange and tax exempt in Pennsylvania, the company paying the normal income tax of 2%. These bonds are high grade and for a current quotation is 98½, which gives them a yield of 7.10%.

AN ARISTOCRAT AMONG THE EQUIPMENTS

(*Continued from page* 835)

The 3-Year Reserve

An interesting and unusual item on the company's books is a reserve fund—carried as a liability, of course—of $10,800,000 for the purpose of securing dividends three years in advance at the regular rate of $12 a share on the 300,000 shares of outstanding stock. Inasmuch as the company is earning its full dividend rate and is likely to continue to do so except in the event of unforeseen circumstances, it is probably not likely that it will be necessary to dip into this reserve fund for dividend purposes. However, it is not to be assumed that this fund constitutes a guaranty that dividends will be paid. Should circumstances demand the use of this fund for other purposes there is no reason to deem that it would not be used in such a manner, as a matter of ordinary business policy. However, the item is important as a reflection of the strong financial position of the company and naturally it does offer additional assurance of dividends to shareholders.

Present Conditions

The company's business, roughly, is spread over three allied fields: (1) new car manufacturing, (2) car repair work and (3) manufacture and sale of miscellaneous products.

The first branch of this business has not been on a very large scale this year owing to the involved condition of railroad finances which interfered with new buying of freight cars, and also, to the falling off in the volume of traffic which resulted in a smaller demand for cars. Nevertheless, despite the fact that new car orders for the country as a whole are far below normal, Car & Foundry as the chief factor in the business is getting the lion's share and probably will earn from this source alone about sufficient to cover the full $12 dividend rate.

A fairly lucrative branch of the business this year has been the substantial amount of car repair work which has been placed on the company's books. Even should new car orders slump off, it is probable that this would be offset by the volume of orders received for repair work.

Additionally the miscellaneous end of the company's business has been and is profitable. Probably the volume of business from this source is greater than that received from car repairing.

All told, therefore, the combined results of these three branches of the company's business should produce results more than sufficient to cover the full year's dividends on the common stock. Considering the 3-year dividend reserve fund, this, of course, means that the present rate will be continued.

On the basis of the present volume of business, it is estimated that the close of the fiscal year 1921-1922 will show net earnings of at least $12-$15 a share roughly. Probably this is a very conservative estimate.

Two Sound Issues

The company has no bonds and the preferred stock constitutes the senior capital obligation. Of this issue, there are 300,000 shares authorized and outstanding. The company has paid the full 7% dividend rate on this issue since incorporation in 1899. This record speaks for itself. The issue is one of the most seasoned on the New York Stock Exchange and may be considered a very high grade investment among industrial preferred stocks. It has had a range in the past few years of from 119 to 105. At the present time, it is offered at about 110. This gives a yield of about 6 1-3%, putting it in the same class with U. S. Steel preferred and similar gilt-edge securities. Considering that there are no bonds ahead of this issue, it may take rank with any high grade bond on the industrial list.

The common stock, of course, is more speculative but in recent years has secured a firm place among the so-called standard speculative investment issues, among which are included U. S. Steel common, Union Pacific, American Tobacco and other high-grade securities.

It is doubtful that this issue has truly discounted the remarkably improved position of the company in recent years. At its highest price of only 148 in the bull market of 1919, it sold far too low considering that Baldwin, presumably at the time a 7% stock, sold some 15 points higher. This conclusion is substantiated by the fact that the issue was one of the few to suffer relatively little in the tremendous decline in security values which took place after the Spring of 1920. This would denote its relative stability.

At the current price of around 128, American Car & Foundry common appears considerably undervalued. Aside from the fact that its equity value is above $200, the high dividends paid on this issue and the reasonable prospect for the continu-

ation of this rate make the stock extremely attractive.

The yield at these levels is about 9¼%. This is about the yield level on second-grade speculative investment stocks, but is a little too high for an issue which more properly belongs in the investment than speculative class. *The high earning power of the company, its sound financial condition, its commanding position in the industry and its generally good business outlook make this an outstanding issue not only in the general market but even among the issues in its own group. Either from an investment or speculative viewpoint American Car & Foundry commends itself to the serious student of values as one of the best speculative investment issues on the New York Stock Exchange.*

TEN EXCEPTIONAL BOND BARGAINS

(*Continued from page 833*)

the passing of a dividend as a really favorable development, because it undoubtedly indicated a settled policy of building up the financial strength of the road, even at the expense of the stockholders' current income. Conservatism such as this should eventually raise the company's securities to a high investment plane. The 4½s, due in 1930, are no longer convertible, but are secured by a general mortgage on the property. Their yield of 7.85% is extremely attractive for an obligation of a road with the record and prospects of Chesapeake & Ohio.

Market Street Railway First 5s, Due Sept., 1924
Price 77, Yielding 12.50%

This is a first lien on the traction lines in San Francisco previously operated by the United Railroads of that city. The recent organization of the company reduced the total bonds from $39,500,000 to only $15,000,000, and the net fixed charges from $1,976,000, to but $800,000. Since the gross earnings for 1920 were $9,328,000, and the net for interest $2,085,000, it is evident that the new basis of bonded debt is very conservative. The most recent earnings statement (second quarter of 1921) shows interest covered about twice over. An official appraisal, made in connection with a projected municipal purchase, values the property at $40,000,000.

The margin both of earnings and appraised value is so substantially above the requirements of the first mortgage bonds that they certainly appear a bargain at the present enormous yield—and this despite the fact that they have advanced five points since the writer first selected them for this article. Should the city take over the property, the bonds are bound to be assumed and their payment thus assured. The price of the issue is of course depressed by the unfortunate history of the United Railroads of San Francisco; but shrewd investors will realize that the new company has a far more conservative capitalization, and its

bonds are therefore of an entirely different character than those of the predecessor enterprise.

Union Bag & Paper 1st 5s, Due 1930
Price 83, Yielding 7.72%

This is a very small first mortgage issue of an exceedingly prosperous company. In 1920, its interest charges were earned 22½ times, after taxes. In the past five years, interest has never been earned less than 8½ times over. On Dec. 31 last, net *current* assets amounted to $4,634,000, or 160% of the total bonded debt of only $2,928,500. The junior securities consist of $15,000,000 of capital stock, with a market value of $9,500,000, and paying $8 in dividends. Another attractive feature of these bonds is a substantial sinking fund which in the past five years has reduced the total debt by 33%.

It is certainly surprising that a yield of 7.72% can be obtained on an issue as strongly protected as these Union Bag & Paper 1st 5s. Few industrial issues can show proportionately as powerful a backing in both assets and earnings. The low price of these bonds seems to be due chiefly to failure of investors to realize that the condition of the enterprise has been radically improved since the recapitalization of the old company in 1916.

The New-Book Letter

THE GUARANTY OF BANK DEPOSITS—by Thomas Bruce Robb, Ph. D.

Since the general fall in prices has already caused many bank failures throughout the country, public attention is again centering on the question of the insurance of bank deposits. In this book, one of the Hart, Schaffner & Marx prize essays, in economics, the author has given a short history of the various bank guaranty laws tried in different states throughout the country during the last twelve years. While the subject is still a matter of controversy, the author has endeavored to give the public complete, reliable, and impartial information that is so necessary for a decision on this important question.

Price $2.65.

COMMERCIAL LAW CASES—by Harold L. Perrin, LL. M., Ph. D., any Hugh W. Babb, B. A., LL. B.

In this work the authors have successfully combined the text book and the case method of teaching law. It consists of two volumes, the first dealing with Contracts, Sales, and Agency; and the second with Negotiable Instruments, Partnership, and Corporations. Each section is prefaced by a brief statement of the point of law about to be treated and then follow two, three, or four decisions which illustrate the application of the principle.

While these books are intended to furnish a text for a two-year course in commercial law in institutions of collegiate rank, their usefulness does not end there. The business man who desires something more complete than the ordinary short text books will find here something more specific and better suited to his needs.

The authors are both practicing lawyers and both are connected with the College of Business Administration of the Boston University.

Price $7.85.

Are Your Securities in This List?

The subjoined table presents a list of the securities and commodities analyzed in the current (October 15) issue of the Magazine of Wall Street.

Mining

Petroleum

Public Utilities

Bonds
(Partial List)

Industrials

Commodities

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of THE MAGAZINE OF WALL STREET, published every other week at New York, N. Y., for October 1, 1921.

State of New York }
County of New York, } ss.:

Before me, a Notary Public in and for the State and county aforesaid, personally appeared George G. Janosik, who, having been duly sworn according to law, deposes and says that he is the Business Manager of the MAGAZINE OF WALL STREET, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, The Ticker Publishing Company, 42 Broadway, New York City; editor, Richard D. Wyckoff, 42 Broadway, New York City; managing editor, Ralph Rushmore; business manager, George G. Janosik, 42 Broadway, New York City.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent or more of the total amount of stock.)

Ticker Publishing Company, 42 Broadway, New York City.

Richard D. Wyckoff, 42 Broadway, New York City.

Cecelia G. Wyckoff, 42 Broadway, New York City.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner, and this affiant has no reason to believe that any other person, association, or corporation has any interest, direct or indirect, in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is——. (This information is required from daily publications only.)

GEORGE G. JANOSIK,
Business Manager.

Sworn to and subscribed before me this 27th day of September, 1921.

(Seal) J. L. LEITHEAD,
Notary Public.

New York City, No. 81; New York Register, No. 3129. My commission expires March 30th, 1922.

DIVIDENDS

HUPP MOTOR CAR CORPORATION

Detroit, Michigan, September 30, 1921.

The Directors have declared a quarterly dividend of 2½% on the COMMON stock of the corporation, payable November 1, 1921, to stockholders of record October 15, 1921. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

INTERNATIONAL PAPER COMPANY

New York, September 28th, 1921.

The Board of Directors have declared a regular quarterly dividend of one and one-half per cent. (1½%) on the preferred capital stock of this Company, payable October 15th, 1921, to preferred stockholders of record at the close of business October 7th, 1921.

OWEN SHEPHERD, Treasurer.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing.

Address, Advertising Department

THE FINANCIAL DIGEST

A progressive review of business and financial conditions with definite investment recommendations. (161)

CONVERTIBLE BONDS

A list of active convertible bonds of interest to the investor wishing to combine an element of speculation with investment. (157)

AN 8% SECURITY AND THE INDUSTRY BEHIND IT

A nicely illustrated booklet describing a First Mortgage Bond of a company whose earnings for the past seventeen years have averaged over four and one-half times the maximum bond interest requirements. (162)

SYSTEMATIC SAVING AND INVESTING—A PARTIAL PAYMENT PLAN

This folder describes an easy way to accumulate for the small investor. (163)

THE BUSINESS OUTLOOK

Written by a New York Stock Exchange firm. This folder will prove of great interest to the investor. (164)

BUILD AN INCOME

A savings investment plan which will help the small investor to build an income. This folder is issued by an old established bond firm in Chicago. (165)

MEXICAN INTERNAL LOANS

An up-to-date circular just issued by a firm that specializes in Foreign Securities. (166)

THE THRIFT ROAD TO INDEPENDENCE

There is no royal road to independence, but there is the sure thrift road, which is clearly and interestingly described in this book.

It lays down a financial plan which offers a simple and successful way of accumulating money. (148)

YOUR FIRST STEP IN THE STOCK MARKET

A handy pocket booklet showing how to open an account, to trade on account, and giving the collateral value of securities and showing the advantages of the Partial Payment Plan for the beginner. (153)

TRACING INDUSTRIAL CORPORATION PROFITS, 1914-1920

And amplified analysis of fourteen representative companies. (156)

THE COPPER STOCKS

A series of letters comprehensively analyzing the copper stocks. (150)